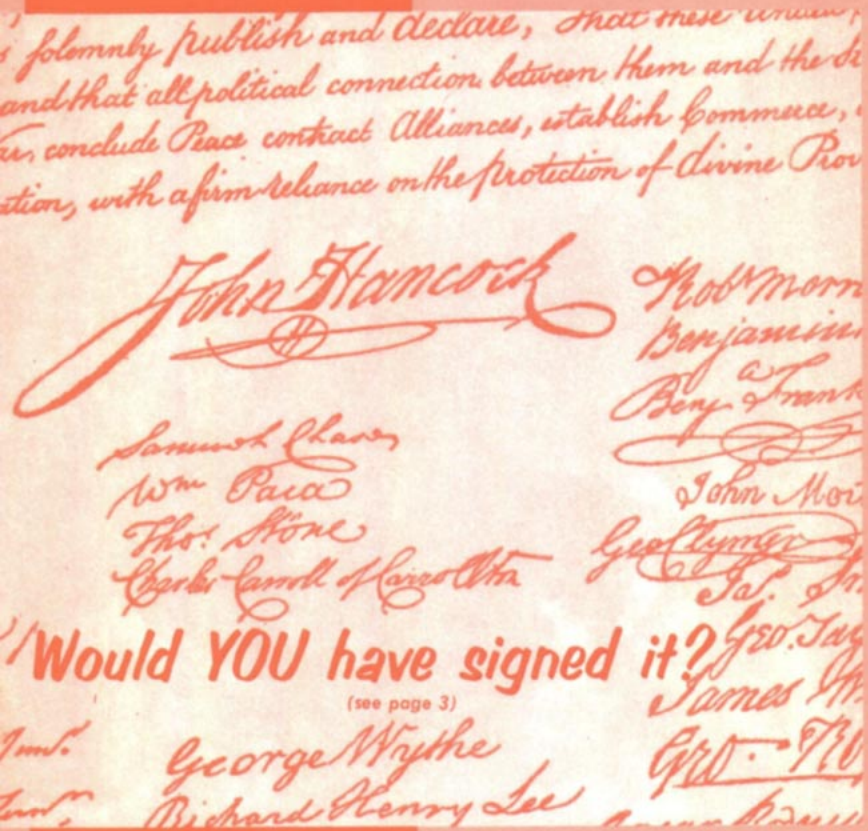
THE
Freeman

IDEAS ON LIBERTY

SEPTEMBER 1958



Would YOU have signed it?

(see page 3)

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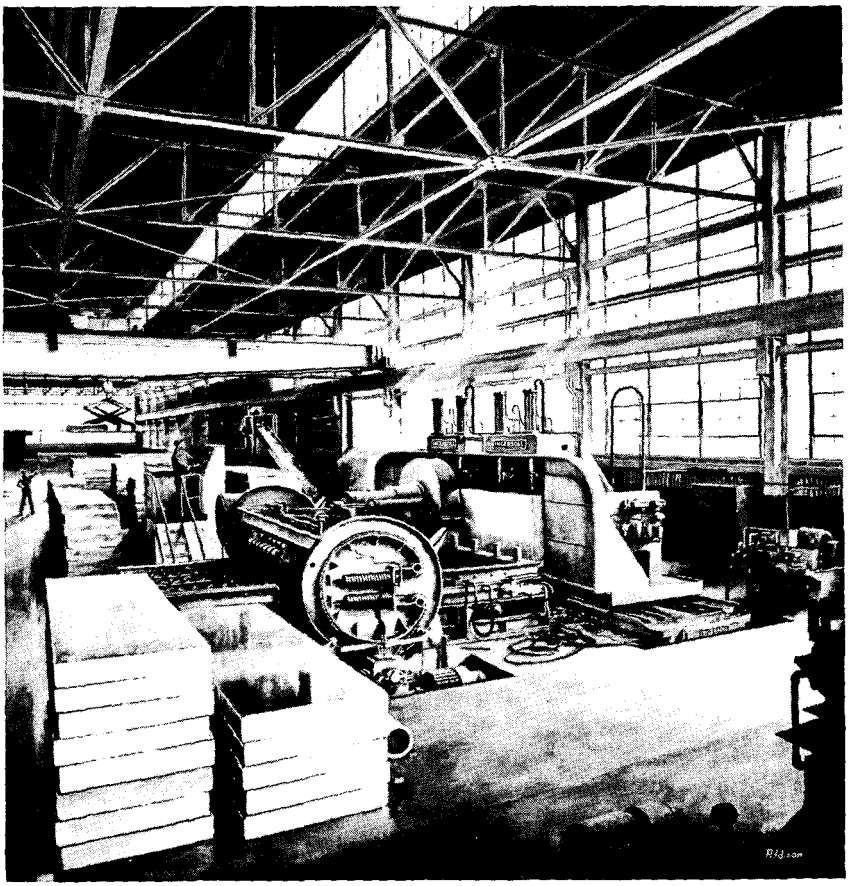

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A CONCEPT OF PRIVATE ENTERPRISE

by Herbert Hoover

The genius of the private enterprise system is that it generates initiative, ingenuity, inventiveness and unparalleled productivity. With the normal rigidities that are a part of Government, obviously the same forces that produce excellent results in private industry do not develop to the same degree in Government business enterprises.

The Government creates business-type enterprises in economic emergencies, in the emergencies of war, and for the development of projects which are not adapted to private enterprise because of their nature or their magnitude.

The Government business-type enterprises, except in a few instances, pay no taxes, and pay little or no interest on the capital invested; they seldom charge depreciation and frequently their directing personnel is not included on their payroll. Moreover, in addition to the fact that most of them pay no taxes, they deprive the Government of taxes which would otherwise be paid by private enterprise if it conducted these operations.

The continuance of such activities by the Government must be made subject to rigid justification; occasionally this can be done, but the burden of proof in all instances must be on the Government. Unjustified continuance is a definite injury to the vitality of the whole private enterprise system.

The above comments are condensed from the Preface to the "Hoover Report on Business Enterprises." A copy of the complete Preface may be obtained by writing to:

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THE Freeman

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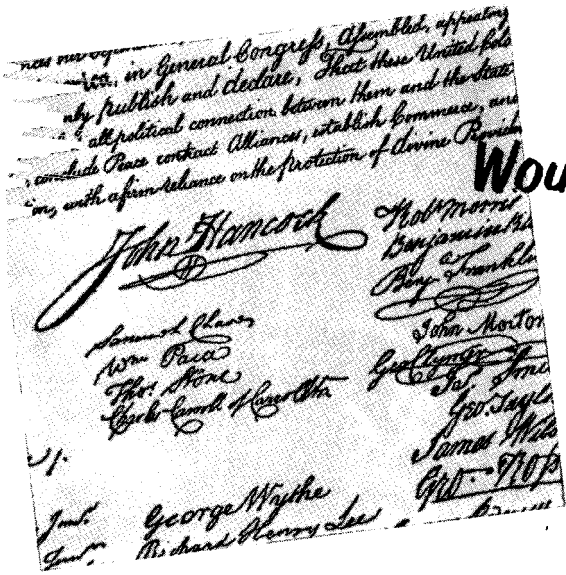

Would YOU have signed it?

RALPH BRADFORD

IT became the literary fashion thirty years or so ago, and continues to be the vogue in some quarters, to demote, if not to defame, that group of men who are generally designated as the Founding Fathers of this Republic.

The framers of the Constitution were given their full and bitter share of obloquy; but the signers of the Declaration of Independence seemed to be special targets for detraction. Idol smashing was the order of the day. Certain types of writer, politician, and public speaker took delight in uncovering and proclaiming feet of clay. No niche was sacred.

John Hancock – he of the big, bold signature which, as legend has it, he boasted could be read by King George without glasses? A lot of baloney! Hancock was simply a rich smuggler who had it in for the British.

Samuel Adams, of the eloquent speech and provocative letters? Just a broken-down Boston agitator who couldn't even afford the trip to Philadelphia or a new suit to wear until his friends passed the hat for him.

Benjamin Franklin, wise counselor and witty commentator? Just a dabbler in pseudoscience; a successful printer with an unsavory youth; a shrewd old publicist with an eye to the main chance.

Thomas Jefferson, statesman, philosopher, architect, musician? Stuff! He was a rich young aristocrat with a dilettante's relish for the excitements of public life.

John Adams, fearless champion of unpopular causes? Pah! An ambitious Massachusetts lawyer who

Mr. Bradford is a well-known writer and business organization consultant.

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had recently defended the British soldiers in the Boston Massacre case and who had now switched to the other side.

And so on and on and on. Beginning around 1920, and continuing even to the present, it has been open season on the signers. What were their motives? What personal advantages did they seek? What selfish interests did they serve? Hardly anyone of them was spared derogatory questions, innuendoes, accusations.

It was even pointed out that some of the signers had come into the Congress after action had been taken on the Declaration; and it was implied that there was something strange, and possibly reprehensible, about their desire to affix their signatures ex post facto!

Some writers with the iconoclastic urge made much of the fact that among the fifty-six signers there were twenty-two lawyers, ten merchants, and fourteen wealthy land owners; and one such writer was almost tearfully indignant because the great Document bore no signature of either a laboring man or a dirt farmer. The implication seemed to be that there was something a little questionable about all those well-to-do landed proprietors, business men, and professional people getting together and cooking up a revolution.

This attitude, of course, ignored the fact that Lexington and Concord were already household words throughout the Colonies, that Bunker Hill had been fought, that Charlestown and Falmouth had been burned, that Boston had been beseiged – in short, that the Revolution was in full and lusty progress!

There is less of that sort of sniping now, but it is still to be heard, especially among those who find the Constitution archaic and the Declaration outmoded because the principles asserted in those documents come between them and their plans for collectivization by force.

Well, to all such – to all who jeer or scoff or belittle – I have one short, hard question: Would *you* have signed it?

Let us think a little about the circumstances.

History Book Impressions

Most of us have a kind of copperplate impression of what went on in Philadelphia that summer of 1776. It centers in a tableau-like picture of the signing. Certain old history book illustrations form the basis of that impression.

A group of bewigged and clubbed-haired gentlemen in knee breeches, silk stockings, buckle shoes, baggy coats, and outsize waistcoats sit around a large room in comfortable chairs. They have

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been discussing the ills that the American Colonies have suffered at the hands of the British Crown. They have also been discussing what to do about the Revolution which, contrary to the present-day misconception held by many, was not started as a result of their action but was already under way.

Nearly forty years later, when John Adams was eighty years old, he was to write that even the war with Britain was "no part of the Revolution." And he added: "The Revolution was in the minds and hearts of the people, and this was effected from 1760 to 1775, in the course of fifteen years, before a drop of blood was shed at Lexington."

It is possible that Adams, in retrospect, misjudged the minds and hearts of the people during that fifteen year period. What they really wanted, probably, was simply to be let alone. Maybe he endowed them with the sentiments of his own stout heart and flaming spirit. At any rate, it is clear that the representatives of those people, in Congress assembled, were reluctantly revolutionary and not by any means strong for independence. Most of the delegates believed it was their duty to work for "the restoration of union and harmony between Great Britain and the Colonies" – a harmony that was, by the greater number of them, "most ardently desired."

And so there had been a succession of "humble petitions" to the Crown, with protestations of loyalty and desire for accommodation. There had even been an "address to the British People." The Adamses, John and Sam, and some others, had protested that all such gestures were in vain – and so it had proved. The humble petitions had been answered by the dispatch of more warships and troops; the appeal to the British people had been answered not at all.

By the spring of 1776 the hope of peaceful reconciliation had grown very dim indeed. A few stout loyalists like John Dickinson still believed the miracle would be wrought; but their ranks were thinning. Independence was in the air.

Finally, goaded by the Adams cousins and others, the Congress got around to facing the question of independence officially. At first there was opposition even to considering it. Many of the delegates still looked upon themselves as British subjects, loyal to the Crown. They were deeply shocked at the thought of separation from the Mother Country. A few – a very few – were never reconciled to the change. Most, however, recognized at last that the move was inevitable.

On June 7, Richard Henry Lee

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introduced a resolution. It contained only 47 words, but like Mercutio's wound, it was enough – enough to create a new nation; enough to change the course of British history; enough to throw the Congress into a prolonged and bitter debate.

The First Draft

At last it was decided to postpone final decision for three weeks, until July 1. Meantime it was agreed by all that a drafted Declaration of Independence should be prepared so that, if the vote went that way, Congress would not have to throw something together at the last minute.

So they appointed a committee – Jefferson, Franklin, Sherman, Livingston, and John Adams. The committee, in turn, delegated the actual writing to a subcommittee consisting of Adams and Jefferson. Because Jefferson had already demonstrated his skill as a writer, and possibly because Adams was anxious for reasons of unity to show deference to the Virginia delegation, Adams insisted that the young Virginian do the drafting. He said, in effect, "Jefferson, you do it."

But Jefferson was not the sole author. Both Adams and Franklin made important suggestions, and Jefferson altered his copy to meet their ideas. But the essential drafting job, the language and spirit of the thing, are his.

Finally on Tuesday, July 2, the Lee resolution was passed and the next step was to adopt the Declaration. It, too, was debated. Certain changes were made; things were eliminated; things were added, as was to have been expected. At last it came to the question on July 4, and the Declaration of Independence was adopted.

And then – so goes our impressionistic picture of the event – the delegates filed sedately up to the front table and affixed their several signatures. And that was that.

The Dramatic Signing

Actually, it didn't happen that way at all. The copy in use by the Chairman and Secretary during the debate was so scratched out and interlined that it would never do as a public document. It had to be printed in its final form and signed later. But we cling to our picture of the scene.

It is a kind of historic set-piece, a well-worn tableau. There is little reality in it. Indeed, to give some of the iconoclasts their due, it was partly in an effort to impart a more lively feel of reality to this scene that they began to "humanize" the principal actors in it. It was characteristic of the spirit of the twenties and thirties, however, that the only way these realists

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could think of to humanize the signers was to subject them to a process of denigration.

A much simpler and far more dramatic means was at their hand, if they had only possessed the imagination to see it. The musty little tableau could have been brought startlingly alive. All its apparent drabness and seeming placidity could have been illuminated with a shattering light of hard reality. The reality was this:

If the Revolution failed, as there was at that time good reason to believe it might, every one of those men was putting his name to something much more than a rhetorical declaration of political principles.

He was signing his own death warrant!

Deadly Serious Business

Does that make the picture a little less drab? Do those solemn-faced men in the funny garments and queer haircuts look a bit less funny now?

Does old Doctor Franklin, who was getting quite paunchy and bald and who peered at the world through queer-shaped lenses of his own devising – does he look a little different in this sharp white light of danger?

Legend has it that someone of the signers remarked that from now on there must be no dissension; that they must all pull together – and that Franklin replied jokingly, "Yes – or we shall all hang separately."

Jokingly? I doubt it. Franklin was a realist. Simply and bluntly, he was stating what might very well happen to every one of them.

In their world, revolution was a risky business, and still is. Among some of the Latin peoples, revolution seems at times to be merely a dramatic technique to effect a change of administration. Not so with the Anglo-Saxons. You'd better think not just twice but several times before you set out to overthrow one of their governments by force. You may turn out to be a hero if you succeed, but you'd better succeed – for if you fail, you may very well be judged a traitor; and treason is punishable by death.

British ministries of that day were not notably compassionate toward persons who sought to disrupt their empire. From their point of view, and from that of the average Englishman of 1776, that group of men in Philadelphia were the opposite of patriots. They were traitors to the Crown, and if caught would be dealt with accordingly.

In the light of that situation, what shall we say of the "political opportunism" of John Adams? What shall we say of the thirty-three-year-old Jefferson who knew

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full well that he was not making an idle gesture when, with the others, he pledged his life, his fortune, and his sacred honor? And what now of the late-comers – the ones who were not in the Congress when the vote was taken, who didn't *have* to sign it, but who wanted their names to stand beside the others? Or, let's put it another way for emphasis:

Would *you* have signed it? Would *I* have signed it?

Time for Introspection

While we ponder those questions, let's ask ourselves a few others.

When there was corruption in our local government – at the City Hall or in the County Court House – did we speak out against it, you and I? Or did we decide that it was a political question, and that it would be bad business for us to meddle with it?

When the federal millions began to be distributed to states and communities, did we protest, you and I – or did we figure that such action would make us unpopular with the politicians and others who were profiting from the handouts? And is it possible that we even figured we might in some way profit, ourselves, from the federal largesse?

When our city government decided to go after federal money for some project that was of concern only to our community – a project that ought to have been paid for locally since it was purely for local use and benefit – did we lift our voices against it, or did we "go along"?

When the congressman from your district was campaigning on the promise to work for drastic reduction in the size and power of the federal bureaucracy; when he demanded a return to solvency in our national finances; when he stood for a balanced budget; when he refused to cater to one or more of the pressure groups in your area, but pledged himself to serve the interests of the whole country – in all this, did you support him? Or if your congressman stood for the opposite principles – did you oppose him? And in either case, did you let your support or your opposition be known? Or did you keep discreetly still because you feared your action might offend some noisy leftist politician or some articulate "liberal" group in your community, and thus be "bad for business"?

They Were Men!

If your answer or mine is that we did not let our voices be heard or our influence felt on such issues because we were afraid of possible business reprisals – then what do you think our attitude would have

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been toward signing a document that could have cost us, not just some business, not just the good or bad will of a greater or fewer number of people – but *our lives*?

What kind of men were the signers? Did they have their peculiarities, their foibles, their jealousies, their vanities, their selfish interests? Of course they did – and so do all men. But that is not the point of importance. The thing to remember is that when the chips were down, they were men!

The piece of paper they had signed was not a thing a signer could squirm out of or explain away later. It was not a vague and general statement of political and social principles. It left no doubt as to its meaning. It did not hint or imply or evade or mince words. In bold phrases it recited the political and economic sins of the King of England, and it declared that the Colonies were free from the rule of the British government. In the eyes of that government, such statements were treasonable; and treason was punishable by death.

When a man put his name to that Document, it could have meant, and there was a very good chance that it would mean, not merely the loss of his business and his property, but his life.

Would *you* have signed it? • • •

IDEAS ON LIBERTY

Eternal Vigilance

THOMAS JEFFERSON said: "Do not talk to me about the integrity of public officials. I say chain the politicians to the limitations of the Constitution itself." And that is what the authors of our Constitution sought to do.

But it has been said that a successful politician is a man who can rock the boat himself and persuade everybody else that there is a terrible storm at sea. So if the boat rocks violently enough, and if people are thoroughly frightened, they will agree to jettison the chains of which Jefferson spoke. After that, it is only a matter of time until the politicians — thus released — forge new and stronger chains with which to bind the people.

IRVING S. OLDS, *The Thousand Miles of Lao-Tse*

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Common Ownership American Style

ANN TERRILL

A. Devaney, Inc., N

ACROSS THE NATION the number of stockholders in almost every large company is steadily growing. The amazing part of this is not so much the total expansion of ownership as the fact that a goodly percentage of ownership is by people with incomes of less than $7,500 a year!

Under communism, common ownership means ownership by the State, for the "good" of the citizen. The free enterprise system of "common ownership" involves strictly private ownership which upholds the freedom and dignity of the individual as the only sound basis for national well-being. The mechanics of such ownership may be seen in operation any day of the week in board rooms across the nation.

The case for private ownership of property is well-stated in these words of Abraham Lincoln:

"Property is the fruit of labor; property is desirable, is a positive good in the world. That some should be rich shows that others may become rich and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another, but let him work diligently to build one for himself, thus by example assuring that his own shall be safe from violence."

Some of the people some of the time have not understood the wisdom of Lincoln's advice, and many

Ann Terrill is a housewife from Manhattan Beach, California.

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in recent years have been taught to distrust the workings of competitive private enterprise. They have demanded more and more "benefits" from the Welfare State — supports, security, and the like —instead of relying on their own initiative and resourcefulness. Politically powerful majorities have ganged up to "tear down the house of another," leading many a person to seek his pot of gold at the end of someone else's rainbow. But there is evidence today that the basic concepts of practical economic freedom and privilege which Mr. Lincoln spelled out are once more becoming popular.

Many factors are involved in this improved understanding accorded private enterprise — as employees begin to see that they can have profits on savings as well as wages for services rendered, that savings amount to claims upon the services of others.

Monthly stock investment plans, employee stock purchase plans, and mutual investment pool plans have all done their share to bring this about. They have made the sedate *Wall Street Journal* into a popularly well-read newspaper. They have helped provide an owner's eye view of the entire structure of this nation's economy. They have initiated Mr. Average Citizen into the realms of capital gains, dividends, and why and how a business has to operate at a profit. The tremendous growth in popularity of mutual investment funds, for instance, points up the radical change taking place in the composite picture of the "Investor."

While mutual diversified investment plans have been in existence in one form or another since 1822, and in the United States since 1893, their real popularity has come about just since World War II. The primary advantage of such plans is that the shareholders thereby enjoy greater diversification, better management, and continuous supervision of their interests. The growth of mutual funds provides a good yardstick for measuring the growing interest in ownership.

The average American does not go into business for himself these days, nor is it necessary that he do so. But it is becoming more desirable, and more possible everyday, for him to "buy into" someone else's going organization. Indeed, as a shareholder in a mutual fund, he collects profits on his investment in literally hundreds of diversified enterprises.

Mutual fund shareholders include labor-union groups, church groups, service organizations, teachers, students, housewives, factory workers, professional people, and even children whose shares are held in trust for them. Earn-

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ings of the fund, less a management and initial purchase fee, are passed on to the investor. Risk of loss, normal to the investment field, is minimized by the diversification of interests which the fund holds.

Approximately 3 out of 4 shareholders in mutual funds have incomes of $7,500 or less. The total number of shareholders has more than tripled since 1940, and it isn't surprising to learn that mutual funds account today for roughly 6 per cent of all investments. Funds are now offered in numerous variations to fit a wide variety of investment goals and purses, by some 165 different companies.

These operations are indeed, as someone has said, a part of Main Street. They have, in fact, brought the kernel of private enterprise to the folks that live there. True, their shareholders have little to do in the usual sense with Wall Street, the Stock Exchange, Securities Club, or wide speculation. But one thing is certain. Besides having broadened the base of ownership in our economy, thereby enriching and strengthening it, a great good is being accomplished in the interests of private enterprise generally.

By making it possible for persons of limited income to take material advantage of the ownership side of private enterprise, the purveyors of such plans have added to the ranks of supporters thousands of people who might not have been there otherwise. They can see firsthand the sound basis upon which that system works fairly for the benefit of all.

Isn't that what this nation needs? If, in an expanding economy, a little diversification of ownership, as well as of interest, is not included in the scheme of things, then private enterprise is a little too private for its own good. And all the programs for enlightening the rest of the world cannot save this nation. Anything, no matter how good, must have the support of its own people to succeed, and it is more than likely that a man's faith and support will be placed squarely behind his money. Private enterprise, the investment in it, the subsequent risks – involving both profit and loss – need to be understood by the customers and the employees as well as by the growing number of proprietors along Main Street.

Through such privately held multiple ownership of the productive facilities of our economic system, individuals may well gain a clearer concept of the peaceful harmony that should embrace all mankind. This is the only practical approach the world has seen to the "common ownership" of anything.

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INFLATION IS A BURGLAR

Samuel B. Pettengill

WHEN I WAS A BOY in Vermont, there was a year when the apple crop was so huge that the apples did not bring enough to pay for the barrels to put them in. All we could do was to turn the hogs loose in the orchard to eat their fill.

This was hard luck, but not deflation. Contrarily, freezing weather in Florida last winter made oranges scarce and their price high. But scarcity or glut of one commodity or another is not inflation or deflation, even though it makes the price of the commodity rise or fall.

Nevertheless, these apples and oranges illustrate an important way by which inflation causes a *general* rise in the price of nearly all commodities, like groceries, or services, such as pulling teeth or hospital care. Such a general price rise has no necessary connection with the scarcity or glut of commodities or services.

Under "runaway" inflation, the cost of hospital care would be sky high even though hospitals were as thick as service stations.

Increase in Money Supply

Inflation, which makes practically all prices rise, has been chiefly due in recent years to an excessive increase in the money supply which distorts the price balance between money and commodities.

This can be seen clearly if we were to imagine a government decree which made every leaf on the trees a "dollar." As you raked up bushels of these leaf dollars, what would happen to prices?

No government has ever made dollars out of leaves, but dozens of

Mr. Pettengill, noted attorney and author, was formerly a congressman from Indiana. This article first appeared in the June 1958 issue of The Pure Oil News.

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governments have made "dollars" or marks or francs or rubles out of paper which can be made from leaves! In short, paper money can be made as worthless as leaf money.

Prices move up during inflation because the value of money goes down, due to an oversupply. This fools millions of people. They can easily see prices go *up* because a price tag is fixed to whatever they buy, but they cannot see the value of money in their pocketbooks going *down.*

Because this "sleight of hand" fools people, during inflation practically every consumer blames the producer, farmer, manufacturer, middleman, or merchant for the rise of prices, just as some people blame the oil companies for even the small increase in the price of gasoline today.

This causes hard feelings between the different economic groups in a country, a demand for price and wage controls, and in some countries even revolution.

Inflation in Germany in the 1920's

The terrific inflation in Germany in the 1920's was a big factor in the rise of Hitler to power, which finally cost us billions of dollars and the blood of our sons.

Yet the German inflation probably caused *little or no change* in the exchange value of one commodity for another commodity. If a bushel of potatoes exchanged for a bushel of sugar beets in a German town before the inflation, it is likely that they still exchanged, bushel for bushel, at the height of the inflation, even though a bushel of potatoes or sugar beets was "worth" a million marks!

In short, commodities probably did not rise in Germany *at all!* It was only the German mark (money) which fell to zero in value by reason of the glut of marks. This was due to the government running the monetary printing presses night and day, not to the producers or dealers in commodities.

It can, I think, be laid down as a universal rule that all inflation is

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caused by the acts or politics of government, among which is any large increase in the debts of the central government. A large increase in government debt by borrowing at the banks creates a glut of money, which causes money to lose value just as each apple lost value when there was a glut of apples. (Why government debt increases the money supply requires more space than the editor has available in this issue.)

However, it is plain that no government will permit any private person (counterfeiter) to manufacture dollars. Consequently, a large permanent increase in the dollar supply which reduces the exchange value of dollars for commodities and services is always due to actions taken by the government — not the people, except that because so many do not understand inflation, the people permit the politicians who run the governments to proceed with their sleight-of-hand magic.

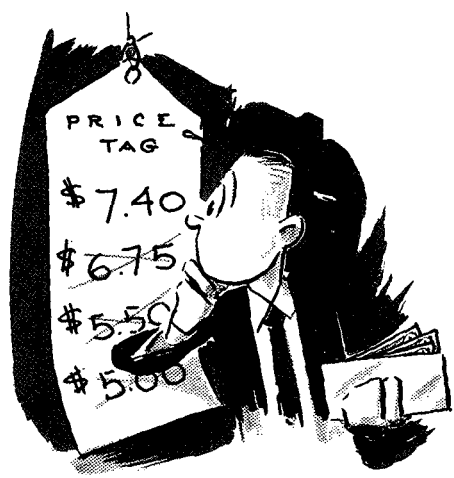
As Inflation Proceeds

Now then, why is inflation a burglar robbing millions of hard-working people while they sleep? It is because most of what we save during our working years, other than a home, is in the form of life insurance, company pensions, government bonds, social security, and savings accounts payable in a fixed number of dollars. As inflation proceeds and dollars lose purchasing power, all of these savings lose value.

Since 1940, inflation has eaten away 200 billions of dollars of these nest eggs, and right now is doing so at the rate of billions of dollars a year. While we continue to work, most of us can keep abreast of our losses from inflation. But sickness comes, and old age advances when you no longer can work. The dollar is now worth less than at any time since George Washington's day.

Inflation a Hidden Tax

If the government had taxed you what you have lost in the value of your savings, you would raise



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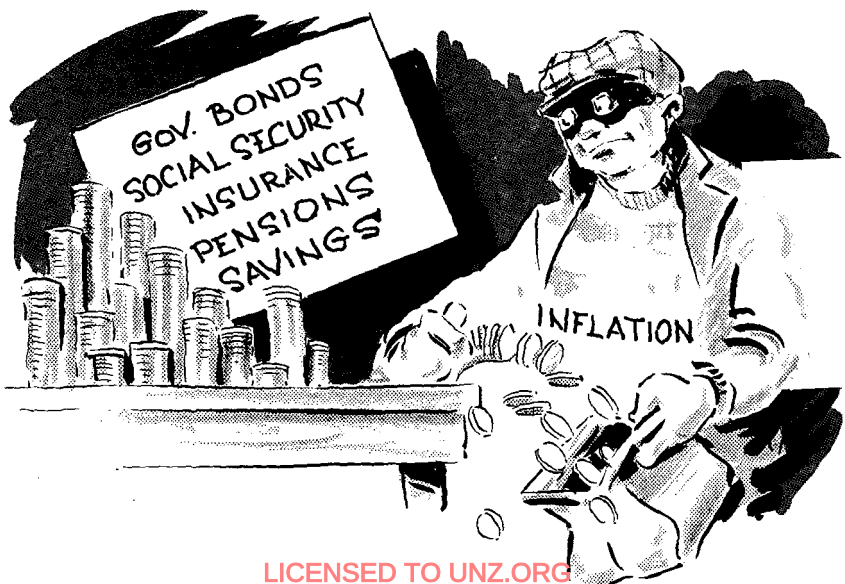
Cain. What we need to know is that inflation *is* a hidden tax, with *no* exemptions or deductions! It is, in fact, the cruelest of all taxes because it falls on the poorest the hardest.

This is a serious subject. But we can still get a laugh out of it. Before inflation hit Germany, an old man was put in an insane asylum. At the height of the inflation he was declared sane, given back his purse with a few old coins in it, and told to take a cab to his brother's home. When he got there, he asked what the fare was. The cab driver said, "200,000 marks." The man said, "That's more money than I ever saw. I can't pay."

The driver said, "Let me see what you have." So the man opened his purse; the driver took out a coin and gave him 1,000,000 marks in change!

The poor old fellow said, "Take me back to the asylum. I'm not cured after all."

The only cure for inflation is public understanding which will demand sound money. • • •



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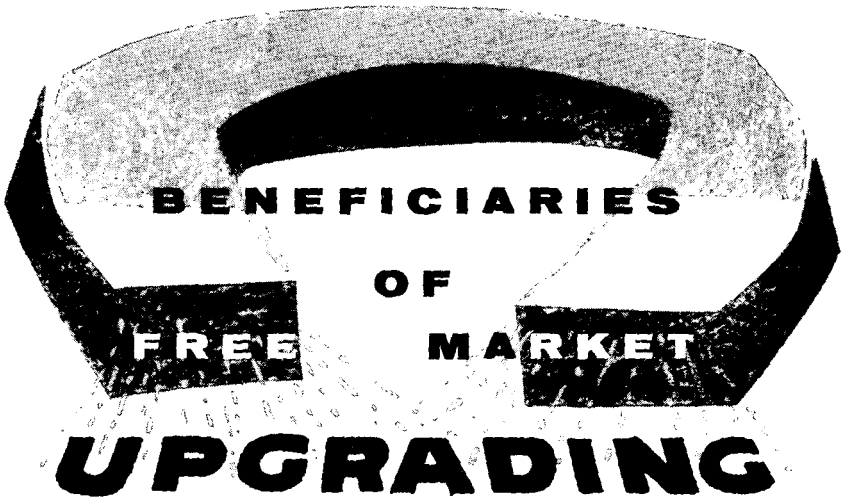

LEONARD E. READ

SOCIALISM is indeed the great leveler. But the fact that the leveling is always downward seems to escape most theoretical socialists. They fail to see that their victims include not only those from whom the fruits of their labor are taken but also those among whom the spoils are distributed as well as those who police such compulsory redistribution.[1]

The leveling of socialism involves cutting off the mountaintops to fill the valleys, taking from each according to ability and giving to each according to need, substracting the cream from some and adding it to the skim milk of others. The progressive income tax, government housing, subsidies to farmers, federal aid to education, TVA, and "social security" are but a few examples of the lethal socialistic weapons designed to do a leveling job. "The enshrinement of mediocrity" is a description no socialist will relish, but it accurately describes the result of dragging down the successful to nourish the not-so-successful.

There is, however, an upgrading system which, like a magnet held on high, tends to draw everyone upward. Instead of leveling people toward an economic bottom, it frees, releases, and attracts them to whatever economic heights are consonant with their desires and abilities. As might be expected, it is socialism's opposite: the free market, private property, severely limited government way of life.

In terms of our planet's existence, one need turn back the clock

[1]Read, Leonard E. *Victims of Social Leveling*. Irvington-on-Hudson, N. Y.: Foundation for Economic Education, 1953. Copy on request.

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no more than a moment or two – to the beginning of the Industrial Revolution – to observe economic freedom's early triumphs at economic upgrading. Except for the very few – a fraction of one per cent of the population on whom the monarchs bestowed titles and large estates – nearly everyone at that time lived in abject poverty. Adam Smith reported that there were areas in the British Isles where a mother had to bring twenty children into the world to be assured of rearing two to adulthood.

The Industrial Revolution brought a great change. Its distinctive features were division of labor, free exchange of the resulting specializations, savings or capital formation, and mass production which is production for the masses.

While this market or exchange economy has never been completely practiced, it certainly was begun spottily, only in minor ways here and there. Upgrading a whole people who were lying economically prostrate was a task too enormous for these revolutionary devices in their infancy. But, lift up bit by bit they did. The plight of the people lying prostrate was not worsened as has been erroneously reported by numerous pamphleteers posing as historians.[2] Their low economic state was only highlighted or emphasized as some became able to stand economically erect.

As suggested above, the free market economy has never been tried all the way. The British Empire gave it the best trial next to the U.S.A. However, even these partial attempts have not only eliminated famines but have conferred tremendous economic bounties upon people from all walks of life. Millions of wage earners have been upgraded to the point where they enjoy food and clothing and shelter quite comparable to that available to persons of great wealth. Indeed, their economic status and their opportunities for travel, luxury, leisure surpass what but a short time ago was the fare of monarchs.

Hired Help in Switzerland

Let me shift the line of argument for a moment. Recently, while at a meeting in Switzerland, several of my American friends commented on different occasions, "I just love these Swiss people." Well, so do I, but why be so emphatic? Reflection and observation supplied the answer. The bartender at our hotel, I noted, had a passable command of six languages. In some ways he was a more cultured person than many of those he served. And, he was

[2]Hayek, F. A. *Capitalism and the Historians.* Chicago: University of Chicago Press, 1954.

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typical of many Swiss who perform personal services. Who wouldn't be favorably impressed if waited upon by superior individuals!

The point is that the wage for "servants" in Switzerland is very low when compared to the U.S.A. While Switzerland has a much better economy than do most countries, nonetheless, it is far from being a truly free enterprise economy. As a consequence, many persons of ability, resourcefulness, and quality have not been raised from the personal servant status —have not been economically upgraded. Their numbers are so high relative to demand that their wage is low. And, their numbers are high because of an absence of capital — horsepower and tools. They have been left to labor with little but their hands.

A European friend of mine told me that in his grandfather's house in a big provincial city of the Austrian Empire during the 1870's one male servant's time was completely absorbed by carrying water and wood for the kitchen, water for the family washing and bathing and, in winter, in chopping and carrying wood, heating the stoves, and cleaning the oil-burning lamps. Another man turned up three times a week to dispose of the garbage and to clean the toilets. All these chores thirty years later were taken care of by installations made available by specialized industries. Seen from the point of view of the consumers, button pressing became the equivalent of two men's labor. Domestic help was released by machines, freed to seek a higher level of employment.

Machines Displace Servants

The further away from a true market or capitalistic economy a country is, the greater will be its percentage of "lower class" and the more will personal servants be available at low wages. In a country like India, for example, one with a relatively modest income can afford a half dozen servants.

The socialists in rebuttal might point to Russia as the exception to this rule. Russia is actually a confirmation of it. The vast majority of Russians don't even enjoy the status of servants who have the choice of quitting or taking jobs. They're slaves, for they have masters who coercively direct their lives.

The U.S.A., in spite of present trends to the contrary, has more nearly approached the market economy than has any other country. Observe this striking fact: In no place the world over is there so much talk about "the servant problem" as here in our homeland. Cooks, maids, chauffeurs, valets, laundresses are only for the well-to-do. In Westchester County, New

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York, it is difficult to obtain seven hours of competent house-cleaning service for ten dollars. Teen-age babysitters receive more in one evening for watching the neighbor's TV than I received as a boy for sixty hours of pulling weeds in the hot sun. Domestic help, even in the deep South with its hangover of slavery, is performed by the less and less competent and at higher and higher wages. Millions of Americans with extremely limited skills have been stepped to higher rungs on the economic ladder – beneficiaries of the market economy's upgrading power – and, thus, are no longer available as "servants."

The person who succeeds in becoming relatively well-to-do may complain about the lack of competent and faithful servants such as grandpa had. Yet, this is precisely the situation the free market economy tends to create. While it does not necessarily lessen the wealth differential between people in a comparative sense, it does move the great mass of us into a wealth echelon over and above the domestic or servant or serf status.

Actually, if the market economy were permitted to function, we could expect the day when hardly anyone would have personal servants. The "cheap help" just wouldn't be available. They would become highly paid workers making dishwashers and numberless other mechanical servants not only for the well-to-do but for themselves. Economically, the trend would be toward the open as distinguished from the closed, static society of the pre-Industrial Revolution period. Classes would give way to a social fluidity – persons moving in and out of different wealth levels.

The real economic interest of the great mass of any society is in the perfection of the free market economy – in the upgrading influences – even though this may not be apparent to them. They approve of leveling only because it is sold to them as a process which would elevate them. But despite the label, the package they are being sold can only level downward. This will continue until those of us who know the upgrading powers of the market economy devise better ways to explain this wealth-giving phenomenon.

Showing how the millions may have a hand in creating nonhuman servants that in turn will serve them as well as others is a possible step not only toward better explanation but in rescuing the free market economy which presently is on the socialistic skids. For it is this economy which makes it the interest of each to serve all, an incentive we should seek ardently to improve, not lightly to destroy.

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Some pertinent questions as to whether the government ought to be . . .

THE SOURCE OF MONEY

GEORGE WINDER

THE Right Honorable Mackenzie King, when Prime Minister of Canada, once made the following statement: "Until the control and issue of money is *restored* to the government, and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile."

Now I believe that there is no greater danger to democracy than for the source of its monetary supply to be in the hands of the government, and in this article I will give some reasons for thinking as I do in this matter; but the chief fault I find with the above assertion is the suggestion contained in the word "restored."

The rest of the statement is, I suppose, a matter of opinion, but by the use of this word it is turned into an averment of fact. It implies – and appears to take for granted – that money has its source in the State, and that its issue was a government prerogative of which, at some period of history, it has been deprived, either by the people or perhaps by the private banks.

This is a presumption which can be completely refuted, for the known facts indicate quite clearly that money was in circulation even before any settled organization resembling our conception of the State came into existence.

If we go back to the earliest times, we find that no State controlled the supply of cattle, knives, spears, furs, salt, or ornaments which were among the first forms of money of which we have any record. In the Book of Genesis (chapter 24, verse 22) we read: "It came to pass, as the camels had done drinking, that the man took a golden earring of half-a-shekel weight and two bracelets for her hands of ten shekels weight of

Mr. Winder, British author, journalist, and lecturer, is best known for his writings on behalf of freedom in economic affairs.

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gold," and gave them to Rebekah. It seems most unlikely that these ornaments, which were then the favorite form of gold money, and were measured by weight, were either produced or weighed by a state-owned industry.

Sir George Macdonald – perhaps the greatest authority on coinage – attributes the invention of coins in Europe to Greek merchants to facilitate the circulation of their stock of metals. The first known instance of the State venturing into the monetary field occurred when the Kings of Lydia stamped their seal on coins made of electron, a natural amalgam of gold and silver. Croesus, who came to the throne of Lydia in 560 B.C., melted this electron down to produce gold and silver coins.

Sir George Macdonald also tells us that the original object of the impression made on coins by a merchant was to indicate its purity and not its weight. It was only later, when coins came to be manufactured in uniform sizes so that their value could be ascertained by tally, that the State came into prominence in the monetary field by stamping coins to attest to both their purity and weight.

One of the first duties of any government is to see that citizens keep faith with one another; and, if merchants issue coins, this aim is furthered if the State cooperates by placing its imprint upon them as warranty that they are what they profess to be. So long as the State keeps to this function, there is every hope that a sound coinage will be the result.

It is only when the State goes further than this, and becomes responsible for the whole production and issue of coins, that corruption occurs and baser metals are passed for genuine gold and silver.

Debasement of the coinage is nearly as old as the State itself. Macdonald mentions that, in ancient Greece, the democratic States preserved the value of their coinage rather better than those ruled by tyrants, while someone has observed that in Rome the good Emperors issued good coins and the bad Emperors bad ones.

In the Middle Ages, the debasement of coinage by governments was so general that, when Venice struck an honest "ducat" and Florence an honest golden "florin," they were used for commerce over the greater part of Europe.

Private Coinage of Gold

In the sixteenth century, the Africa Company gave England her most reliable gold coinage. The sound principle was at that time accepted that anyone who possessed gold could take it to the mint and have it converted into coins stamped with the state in-

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signia to guarantee their weight and purity. No seigniorage or charge of any kind was made. The Africa Company made use of this service to convert the gold it obtained from Guinea into coins of a nominal value of twenty-one shillings. A small elephant – the Company's trade-mark – was also impressed upon them, perhaps as an additional assurance to the public. This golden guinea became so popular that men gradually used it to value all other commodities, and so it became the national unit of account in place of the silver shilling. In this way the country moved from a silver to a gold standard without conscious effort.

When the guinea was superseded by the pound in the early part of the nineteenth century, it left behind it the ineradicable habit of all professional men to charge for their services in guineas instead of pounds, a custom which plagues the British people to this day.

Goldsmiths Issued Paper Money

There is certainly nothing in the history of primitive money or of coinage to support the supposition that the State was the original source of the supply of money. It is, of course, possible that when Mr. Mackenzie King made his statement, he was thinking only of modern paper money; but if this be so, he is again quite wrong. The note issue was not the invention of a state official, nor has its development taken place at the instance of the State; quite the contrary.

Paper money was evolved from the receipts given by goldsmiths for coins and bullion deposited with them for safekeeping. Depositors found that when they wanted to make a purchase, it was sometimes easier to hand over the goldsmith's receipt than to collect and transfer the gold. To facilitate this custom, the goldsmiths eventually made their receipts with the space for the depositor's name left blank. Later, instead of giving only one receipt for the gold deposited, they issued a number of receipts in convenient denominations. By the time of Charles I, these receipts were recognized by merchants as the secure promises of honest men to produce gold and silver money on demand. They passed from hand to hand in the ordinary course of business in payment for goods and services. The goldsmith's receipt had evolved into the forerunner of the bank note.

The State had nothing to do with this development, but, in the reign of Charles II, it did try to imitate it. In 1667 Parliament granted Charles the right to issue paper notes promising to pay money from the revenue. These were issued in denominations as

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low as £1, £2, and £5 and were used to pay the contractors who supplied the dockyards and other public works. They are the first known examples of an English government actually issuing paper money.

Had the experiment proved a success, it might have changed the whole history of modern money and given at least a partial justification for Mr. Mackenzie King's suggestion that governments were once responsible for the monetary system. But it was not a success. This state issue of money was repudiated by Charles in 1672, and Great Britain did not see state-created paper money again until the outbreak of war in 1914 when Treasury notes were issued. The State no more originated paper money than it did any other form of money. There are, however, a few countries in the New World which can claim that their right to create money, including paper money, is practically contemporaneous with the State itself.

"Continental Currency"

The most important of these exceptions to the general rule is, of course, the United Sates itself. Mr. Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve Board, probably had this in mind when, at a dinner given by the Ohio Bankers Association in 1935, he said: "The power to coin money and to regulate the value thereof has always been an attribute of a sovereign power." As a general statement this is quite wrong, but we will take it that Mr. Eccles was thinking only of his own country. He went on to say: "It was one of the first powers given to the federal government by the Constitutional Convention." True, but it is a little surprising that Mr. Eccles mentions it. The grant of power to which he refers was made in 1775 by the Continental Congress which met at Philadelphia. It issued notes in denominations of ⅓ to 8 dollars. On each side of their text the words "Continental Currency" were boldly printed.

But what happened to this first issue of United States dollar notes? It was their fate to provide the English language with that expressive phrase: "Not worth a Continental," – thus crystallizing, as it were, in the very language itself, a warning against the follies of all government-created currencies. A subsequent experience with the famous greenbacks gives us another example of the dangers of government-created money in America.

I think it is safe to say of the United States that far more wealth has been taken from owners with-

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out their consent as a result of government-inflated currencies than has ever occurred through the occasional fraud or failure of private bankers.

But why confine my case to showing the dangers of state-created money? These are, after all, negative arguments. Let me now give an example of money created by private enterprise which became the most useful currency the world has ever known, and the very symbol of honesty and worth.

A Word Was Coined

The word "sterling" originally meant nothing more than "little star," and referred to the symbol on ancient Norman coins. By being constantly associated, however, with the British pound, it has absorbed a reflected glory; and now, according to the Oxford Dictionary, means "genuine, of standard worth or purity."

There is little doubt that the "pound sterling" owes a great deal of the respect in which it was once held to the long record for honesty and security earned by the Bank of England, so that to say that anything was "as safe as the Bank of England" became proverbial.

In the great days of the pound sterling, before the outbreak of war in 1914, this great bank was a private company beyond the control of the State. In that year its control passed to the British Treasury, where it has remained ever since, although it was not nationalized until 1946. The Bank, like the Suez Canal, was one of those great projects which owe their existence to the imagination and energy of a company promoter.

The man responsible in this instance was William Paterson, a Scotsman. He was not a banker; he possessed the typical drive and optimism which characterizes the entrepreneur. Another of his promotions was the Hampstead Water Works. Most of his schemes were vast and magnificent, but he brought a capable brain to work on his attempts to implement some of them. Like that other great projector, Ferdinand de Lesseps, he was interested in canals. One of his ideas was to cut through the Isthmus of Panama, and he actually examined the terrain for this purpose, but decided that the times were a little premature for such an undertaking. He did, however, form a company to establish a British settlement on the Isthmus, which he hoped would break the Spanish monopoly and open up the trade of South America to the world. The failure of this famous "Darien Scheme" wrecked his health and was the commercial scandal of the century.

Such was the man who secured

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a Charter from the Crown to form the Bank of England. In 1694 the Bank was safely established with a private capital of £1,200,000, after which Paterson sold his shares to devote his energies to his Darien Scheme. Fortunately, his co-directors – or Governors, as they were described in the Charter – were typically hardheaded businessmen, with less imaginative minds than the founder of the firm. They were also highly respected – a great advantage to the Bank when it ran into trouble, as it did within two years of its inception.

As always in its subsequent history, it was the government which was the author of its misfortunes. One of the objects of the Bank was to lend money to the government, but this time it lent more than it could afford. By May 1696, the Bank was unable to meet its notes. Strange as it may seem, the holders of these notes had such confidence in the integrity of the Bank's governors that they were satisfied with payments on account. The bank tellers recorded on the backs of the notes presented the amount paid and promised to find the balance later.

The Bank was then able to persuade the government to repay part of its loan by regular monthly installments, and, by the end of the year, it was able to meet its notes in full.

From this time forward the Bank flourished. It appeared to have learned the great lesson that the more it could keep itself free from the influence of the State the more secure it would be. However, such a bank has sometimes no option but to advance money to the State, and this led to another unhappy experience.

Wartime Troubles

Toward the end of the eighteenth century, the bank was required to finance the war against Republican France and to supply the Emperor of Austria with money to keep his troops in the field. This led to its gold being drained away. On February 18, 1797, the Bank suspended gold payments. The final rush on the bank had occurred when it was announced that the French Fleet was off Beachy Head. Later, the French landed in Wales but were easily defeated. This French expedition to Wales is one of the mysteries of history. It had no possible chance of success. The explanation sometimes offered is that its sole purpose was to bring about the failure of the Bank of England. The French believed that the Bank's notes would be valueless without gold backing.

However, after the first shock of the suspension, the Lord Mayor and four thousand London busi-

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nessmen signed a declaration that they would accept payment of debts in notes, and it soon became apparent that the Bank's inconvertible notes had become the chief medium of exchange in the country, and for the carrying on of the war.

Inflation did ensue, but it was mild compared with that which occurred during the last two world wars. The important point, however, is that, after Napoleon had been banished to St. Helena, the Bank of England took steps to meet all its liabilities in full and by May 1821 – twenty-four years after it had suspended gold payments – it was able honorably to meet all its notes in gold.

Thus Great Britain returned to the gold standard. From that date to the outbreak of war in 1914, banking in England was free from state control, except for those general laws which govern the honesty of all men alike.

It is true that, in 1844, the Bank Charter Act was passed in an attempt by the government to restrict the quantity of money by controlling the note issue. This Act, however, completely failed in its object, for bank notes had by this time become merely the small change of commerce. Bank credit money – the medium by which the far greater part of the country's business was carried on during the Industrial Age – completely escaped the government's legislative net.

This Act of 1844 also gave the Bank of England a monopoly of the note issue. But for the same reason, this again made little difference.

Competitive Banking

During this period, as a result of the repeal of restrictive legislation, several great joint stock banks, all with the power of issuing credit money, grew up and flourished. These treated the Bank of England as a central bank with which they kept an account and deposited their gold. They did this not from compulsion but because the Bank provided reliable service.

In the British Dominions this same type of private banking developed, each bank issuing its own notes. The result was as satisfactory as in Great Britain itself. Seldom have undeveloped countries been developed so quickly.

It must be remembered also that the nineteenth century was, for England, the period of her greatest expansion. The whole weight of this development was borne without difficulty by this private banking system. Not only did the pound sterling become the securest form of money which a trading people have ever possessed, but it also became so widely re-

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spected that it was used for the payment of cargoes of merchandise passing from one country to another in any part of the world. The Bill of Exchange, payable in pounds sterling, accepted by a London banker, became a type of money which is very badly missed today. It became, in fact, the most perfect international currency the world has ever known.

But, from the point of view of the American citizen today, faced with the steady deterioration of his own country's currency, the all-important fact concerning this British nineteenth century privately-issued pound sterling is that its purchasing power was almost exactly the same when the system ended in 1914 as when it began with the Bank of England returning to the gold standard in 1821. This is so in spite of the fact that, during the same period, wages had nearly trebled.

Privately-owned banking had served the people so well that, in 1914, they did not know what inflation was. With the outbreak of war, most States took control of their banking systems and have not surrendered them since. During the next forty years, nearly all the currencies of Europe were either completely destroyed or greatly reduced in value, and their depreciation frequently went on just as steadily in peace as in war.

Great Britain suffered not only inflation but also severe deflation and the greatest unemployment she has ever known. A somewhat similar experience was also inflicted upon America. Apart altogether from wartime inflation, the once sterling pound has lost a third of its value in the last ten years.

These are some of my reasons for believing that Mr. Mackenzie King's statement is utterly and dangerously false. The exact opposite is the truth. Unless the creation and issue of money is withdrawn from the State and restored to the private banking system, I believe that parliamentary government and democracy will become impossible to maintain.

John Maynard Keynes, in *Essays in Persuasion,* referring to the famous statement of Lenin as to the best way to destroy the capitalist system, wrote: "Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch its currency. This process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one in a million is able to diagnose."

The strange thing is that it appears never to have occurred to Lord Keynes that, under a free economy, it is impossible to debauch the currency. • • •

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JAY MORRISON

UNSATISFIED DESIRES

MOST OF US have many unsatisfied wants or desires. Since the means available for satisfaction of these wants are limited – that is, scarce, there are two methods of treatment of our wants: (1) We can try to satisfy our wants by exerting efforts to obtain the goods or services needed for their satisfaction; or (2) we can discipline ourselves in suppression of our desires so rigorously that we find most of those desires shrink to nothing and the few remaining are limited to minimal necessities for cheap food, crude shelter, and scant clothing.

Generally speaking, and with few exceptions, the second method of "satisfaction" of our wants fails to appeal to most people. Most of us are powerfully activated to acquire and use good food, good comfortable, and convenient homes, and to wear clean, comfortable, and good looking clothing, as well as to have available to us the other comforts that accompany wealth.

Much of the unhappiness – much of the misery – in the world, is due to unsatisfied wants of human beings. Those unsatisfied desires go beyond the primitive need of food, shelter, and clothing. They include, in addition to the minimal requisites of existence, such things as dental and medical services; services of entertainers, musicians, actors, and athletes; facilities and service for transport to other places; items of personal adornment; and many other goods or services.

Not all the miseries in the world would be eradicated if we were able to satisfy the human desires for goods and services. Many of the most powerful stimuli to human action are effective outside the sphere of economic calculation. Poets have sung of the beauties of nature and of the stars and above all of human love. Song writers have told us, "The Best Things in Life Are Free." Material possessions – and even availability of services of expert professional men

Mr. Morrison of Seattle has recently retired as an official of Boeing Airplane Company.

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– are not the end-all and be-all of our desires. Even though the generality of us were so well supplied with all material possessions and able servitors, there would still remain unsatisfied desires. Economic analysis cannot give us the answer to the problem of minimizing human miseries.

But we may essay an analysis of the wants of mankind for goods and services with the object of reducing human misery in that field. Elimination of economic miseries – that is, increase of economic satisfaction – may aid or may not aid in amelioration of some of the noneconomic problems. A man whose economic wants are largely satisfied may have leisure to enjoy the beauties of nature or star gazing or philosophic or religious contemplation.

But such speculations lie beyond this essay. Its purpose is to inquire into what needs to be done to minimize our unsatisfied wants.

Our wants are not all of the same intensity. They vary in intensity from time to time even in the same individual. Different individuals have different wants even at the same time. As one want of an individual is satisfied –perhaps only for the time being – its priority is yielded to other wants of the individual, and those, if satisfied, to still other wants and so on endlessly. Many of these new wants which acquire priority in this way were, perhaps, never recognized as wants until the earlier wants had been satisfied. Their total seems to grow without limit.

How, then, can we allocate our productive abilities to supply wanted goods and services in such a way as to give the greatest satisfaction – that is, maximize human happiness?

What Each Knows Best

Generally speaking, and with but few exceptions, each of us knows his own wants better than he knows the wants of others and better than others know his wants.

Therefore, if we make it possible for each individual to purchase freely those goods and services he desires most, with the purchasing power available to him at the time, that person will have achieved the maximum satisfaction possible to him.

That satisfaction will be greatest if the persons who produce those goods (or who render the services) are free to offer the goods and services most in demand.

The best way to effect the maximization of offers of goods and services is to reward the sellers in ratio to their supply of the goods most desired by buyers. Then the buyers will make wealthy those who serve them. They will do so by their purchases. They will re-

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fuse to make wealthy those who buy (at the offered price). Their absention from buying will, and does, make failures of those whose offers of goods are unattractive to buyers.

Generally speaking and with few exceptions, producers of goods and sellers of services will devote their energies to the supply of goods and services in which they have the greatest proficiency to satisfy the wishes of purchasers. That is, they will do so unless prevented by intervention of force or threat of force. Legal intervention is always backed by force or threat of force. Legal intervention prevents suppliers from competing freely to supply the wishes of consumers. Legal intervention is usually done under the guise of protecting consumers, although many laws are enacted at the behest of the sellers in order to help the sellers raise prices (or fees) charged consumers.

Fair Trade laws are an example of laws designed to raise prices to the injury of consumers and to the benefit of sellers.

So it is with all other legal and extralegal interferences with free markets, regardless of the announced intent of their advocates. They have one thing in common. They raise prices to consumers; and, since we are all consumers, they result in diminution of satisfaction of human wants.

Some people seem to believe that "government" or the "State" or some political device can supply goods or services to them "free." There is no political device – no method of voting – which will provide anything "free." Someone must produce the good or render the service. If payment be not made by the recipient, then the government must force someone else to pay for it. The exercise of such governmental force involves expense to the government. That expense also has to be paid for. So the recipient of "free" goods or services always receives less in goods or services from the government than the government takes from those who pay for them. In that manner the total of satisfaction of wants is diminished – not maximized.

If we wish to increase human happiness, we will do all we can to permit purchasers their free choice of goods to be purchased and permit producers the utmost of freedom in making and bringing to market the goods (or services) desired by the consumers.

Freedom to purchase, combined with freedom to produce and sell, will maximize human happiness in those areas of human action involving goods and services.

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Widespread celebration of Constitution Day on September 17 reflects a justifiable pride in the charter of a nation whose history records many blessings and accomplishments of freedom for individuals. But the idea of a Constitution Day also involves danger of worshiping a document, blindly unaware that its words are losing their meaning and its ideas being perverted until freedom in name tends toward compulsory collectivism in fact.

Behavior of individuals according to the spirit behind constitutionally limited government is the only real guarantee of freedom.

M. Robert Beasley

Whether you earn fifty dollars a week or fifty thousand a year, there is a precious parchment in Washington, D. C., designed to guarantee your freedom and pursuit of happiness. Anyone, regardless of race, creed, or color is assured these rights; the only requirement necessary is American citizenship. This document, which costs you nothing, is unquestionably your most precious American heritage.

So treasured is this single sheet of aged parchment that the bronze and glass case in which it reposes is filled with helium gas, protecting it from any possible damage from free oxygen. Special yellow cellulose acetate filters have been blended into the glass, shielding it from the ultraviolet rays of sunlight. A steel and concrete vault has been constructed beneath the

Mr. Beasley is a free-lance journalist.

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floor to protect it from fire, bombing, or invasion; a special mechanism can lower it into this fireproof-bombproof chamber in less than one minute, should danger threaten. An armed guard is present at this shrine 24 hours a day.

Almost a million people annually gaze in reverence at this precious document that promises every American – in ink that has faded during these turbulent years, but in words that never dim – the right of unfettered life, personal liberty, and pursuit of happiness. This intended guarantee to all Americans against control by totalitarian government is your Bill of Rights.

Few of the guarantees, which are commonly referred to as "constitutional rights," are contained in the Constitution itself; they are in the first ten amendments, placed in force on December 15, 1791. In reality, the precious liberties shown on the yellowing face of the Bill of Rights mean more to the American citizen than the actual Constitution.

The Constitution, which is basically a blueprint for our governmental machinery, became effective in March 1789, only because a definite understanding had been reached that a Bill of Rights would be added as soon as the first Congress went into session.

It is entirely possible to change the Constitution, and it has been done without causing the national blood pressure to rise, but if an attempt were made to lay as much as one finger on, say Article I of the Bill of Rights, to alter freedom of utterance, every single American would be – and rightfully *should be* – up in arms.

And so it is with the other nine amendments. If you take away one of them, you will weaken them all. Take freedom from your neighbors and you enslave yourself. In the words of the late beloved William Allen White, "Liberty is the only thing you cannot have unless you are willing to give it to others."

Extraordinary Law

To Americans, the first ten amendments have the force of moral law, on a much higher plane than ordinary legislation, not to be abridged or abolished – even by Congress. They are the Supreme Law of the land, and we expect the Supreme Court to guard the liberties they promise and nullify any law which would lessen their effect.

Powerful as the ten amendments are, they are still written – just as the Ten Commandments – in everyday language understandable by all. It does not take a legal mind to comprehend the wonderful words of the Bill of Rights.

Article I alone sets forth in one sentence enough freedom to make

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dictatorship impossible in America: "Congress shall make no laws respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech; or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances."

There, in language plain to everyone, our government took the unprecedented step of protecting the citizens from itself. It freed religion from all interference by the State; and by promising free speech and press, it exposed itself, as no dictatorship would dare do, to the devastating winds of open and collective criticism.

The people retain the right to criticize with impunity and roundly denounce Congress, the Supreme Court, or the President himself. This not only provides a safety valve for the pressures that inevitably develop in a complex society, but also is an ever-present sword hanging over the heads of the government officials to keep them on their toes.

American citizens have the right to keep and bear arms, says Article II, and the next amendment bans the government from confiscation of your property without reasonable indemnification. Your home is immune to search by police without a warrant, which cannot be issued unless good cause has been shown and sworn oath taken; no accusation by witnesses unless they can be produced in open court to be confronted by you; nor can you be forced to incriminate yourself; and no person is to be tried twice for the same charge. You shall not be subject to excessive bail, torture to obtain confessions, or cruel or unusual punishment. You shall have the inalienable right to a speedy trial and to have assistance of counsel and the right to subpoena witnesses in your behalf.

These rights make us the freest people in all the world and place the power to protect these rights in the hands of all American citizens.

A Duty of Citizenship

But ironically enough, somewhere in the country the Bill of Rights is violated every minute of the day! Its most dangerous foes are not foreign dictators or scheming politicians, but those of us who – while claiming every privilege for ourselves – would deny it to others. To rise in defense of a neighbor's rights is a first duty of citizenship. A second is outspoken criticism of every form of local and federal government when it fails in its duty to the first ten amendments. When the people think – and *say what they think* – the government obeys!

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Edwin McNeill Poteat, D.D., once said from his pulpit: "Freedom is placed in jeopardy more by those who will not exercise it than by those who will not permit it. Indifference opens more gates to the enemy than does tyranny."

The precious guarantees of the Bill of Rights were not born because some high-minded gentlemen penned self-evident truths shortly after our country was founded. Our liberty was conceived ages ago in the darkness of dungeons where brave minds whispered to unbroken souls. It was wrenched into birth when limbs were pulled apart on the torturer's rack and knew the screams of women who saw their men butchered. It drew its breath of life as ill-trained farm boys choked their last breaths, pinned to the earth by the bayonets of Hessian mercenaries.

The fight to gain recognition of these "inalienable rights" is as old as man's faith in them. Tyranny is a sleepless foe. Always somewhere in the world men are being told they have no rights but what the State allows. Such a State gives you but one liberty – that to obey. What a world of difference from our belief that "government derives its just power from the consent of the governed."

The limitations on the power of government which we have defined in the Bill of Rights are foreshadowed in earliest laws and morals. Some are suggested by the Magna Charta. Some are written into the Roman Code which maintained the essential dignity of the free citizen however poor. Some are implicit in the teachings of Christ. Over and over the Old Testament tells us that all men are created equal – not alike, naturally – but equal in the sight of a just God before whom kings stand naked as do their slaves.

Early Struggle for Freedom

Actually the American people had been hammering away at the problems of self-government for 150 years before our Revolution. Rocking on the wild Atlantic, the Mayflower Pilgrims in 1620 drew up, in their famous Compact, the first instrument of our republic; imperfect as it might have been, it was an honest beginning. The primary mistakes of the Puritans were corrected by Roger Williams in 1644. Then there followed William Penn's famous Charter of Liberties granted to the Pennsylvania colonists. The words, "inviolable rights," turn up in a petition signed by the inhabitants of Anson County, North Carolina, in 1769. The Virginia Bill of Rights (1776) and the Massachusetts Declaration of Rights (1780) were but the older sisters of the first ten amendments to the Constitution.

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No wonder that, when the Founding Fathers signed the Constitution in 1787, which enumerated only a few rights of the common citizen, the people were indignant. They had fought a bloody war, ill-armed, starving, barefoot, for more than this – they had fought to secure their individual rights – and they knew what they meant by them.

So did some of the delegates to the Constitutional Convention, who refused to sign the original document because it contained no Bill of Rights. So did Thomas Jefferson who wrote from Paris, where he was Ambassador, indignant protests stating that the lack of the Bill of Rights was to him a "fatal defect." Some of the states ratified the Constitution only on the understanding that a Bill of Rights would be added. Among those states were Virginia and North Carolina which had adopted a resolution declaring their refusal to ratify the Constitution until the Bill of Rights had been guaranteed.

The First Ten Amendments

In his first inaugural address, George Washington reminded Congress of this duty. Madison introduced the subject on June 8, 1789, about three months after the first Congress had assembled. Drawing largely on the earlier Virginia Bill of Rights, authored by George Mason – one of Washington's neighbors on the Potomac – and on Madison's own works for religious freedom in Virginia, the original presentation to Congress was comprised of seventeen amendments. These were quickly incorporated and reduced to a total of twelve amendments. From the twelve articles that were proposed, the first two were rejected. On September 25 the ten articles in their present form passed the House and Senate by the necessary two-thirds majority and were referred to the legislatures of the several states. In nine months enough states had ratified to make these amendments part of the Constitution. Finally, on December 15, 1791, these ten amendments of the Bill of Rights were placed in active force as part of our Constitution.

Sometimes you hear that your Bill of Rights "guarantees" you your liberties. United States Supreme Court Justice William O. Douglas once said on this point: "The Bill of Rights promises much, but it is up to the American people to make that promise good."

Chief Justice Warren, speaking on the fifth amendment, made it plain that the Bill of Rights applies to the uneducated as well as the learned, by saying: "The intent of the witness should be considered, the claim of privilege does not re-

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quire any special combination of words. . . ."

U.S. District Judge Harold R. Medina, who presided over the historic trial of eleven American communists and sentenced them to prison, said: "I am for the Bill of Rights. That includes the Fifth Amendment. I would rather see all the communists go scot-free than to lose one provision of the Bill of Rights. . . ."

A vast portion of the world, unfamiliar with the rights we claim, is under communist control at this very moment. In these communist lands the individual cannot walk in dignity, secure in his rights, and free in his actions; for dictatorship denies the basic principle that each individual has dignity and freedom that the State cannot touch. When we look at the conditions of the people in those unhappy lands and contrast them with our own country, we can really appreciate what the Bill of Rights means to each and every American.

The great liberties assured by the Bill of Rights were paid for in agony, blood, and the sacrifice of lives. They can be kept secure only by vigilant conscience and the courage to speak out.

Dr. Wayne C. Grover, Archivist of the United States, who is charged with the security of this priceless document, sums up his feelings: "All we can guard is the written words on the parchment. Only the American citizens can guard their spirit." • • •

IDEAS ON LIBERTY

Your Choice

WE MUST CHOOSE between the destruction caused by government paternalism and the security insured by individual freedom with individual responsibility as expressed in the Bill of Rights. There is no other choice.

As it must, the choice rests with each of us as individual Americans. No one can tell us what to think or do. No one should. To do so would be a violation of both the spirit and the words of the Bill of Rights. As responsible persons, each of us has the privilege and the obligation to pursue what each considers to be the right course of action. But this above all — before we act, let us understand the *meaning* of our actions, the *direction* in which we are going.

DEAN RUSSELL, *The Bill of Rights*

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Market RELATIONSHIPS

ROBERT LE FEVRE

WHEN WE COME to examine it, the basic human relationship is a market relationship. We do not mean to imply by this statement that man is simply a materialist, seeking evermore for a better gadget. Man is clearly a composite of many drives, among them both an intellectual and spiritual motivation. Man wants to be loved and understood. He also wants to love and to understand.

But the market relationship is one which functions even in this area. The concert singer does what he does, not only because he likes to sing and because he can sing surpassingly well, but because he also has to eat. He contrives to put his talent into the market place. He exchanges his ability for your dollars, giving you pleasure as you give him a means to subsist.

The market relationship is based on trade. And trade we must define as any exchange of something for something else. There is a fine moral lesson in the something for something practice. There is an appalling lack of morality in the something for nothing idea.

It is time that we understand just what a market is. There seems to be a general feeling that a market must consist of a building or a group of buildings in which the public can be admitted so it can make purchases. The truth is that a market place exists any place in the world where goods and services are exchanged on a voluntary basis.

Even the family relationship is based on a market concept. Two may not be able to live as cheaply as one. But two, working together, can accomplish far more than individuals working apart. This accomplishment is based on specialization in which both partners in the family group provide some special talent or skill, thereby assisting the other partner in whatever has to be done.

Altogether too often, persons

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rebel at an economic understanding simply because they fancy themselves above the materialistic facts of life. They wish to be teachers, philosophers, artists, dancers, writers, singers. And, because they do not understand the market relationship, they fancy that the business of making a living is for less talented and skilled members of civilization. They imagine that they can subsist, like froth on a mill stream, never taking the time to realize that whatever it is that pleases them must also please others in the market manner, or they will starve.

Whether you fancy yourself as a businessman, supplying goods and services to people for a price that includes a profit, or as an artist, awakening a love of beauty and graciousness in the minds of people, the fact remains that your basic association with all other persons is a market association.

Only those who succeed in the market place can ever be truly happy.

To live at all means that you must trade that which you have for those things you would rather have. You cannot exist as an isolate, satisfying all of your own requirements. Whether you seek money or applause, a high standard of gadgetry or simple recognition, the only place you can get what you want is from other people. And in order to obtain from others in an honest manner, you must give them something they want and are willing to trade for.

It is, of course, possible in a primitive or backward civilization to provide almost all of what you want yourself. You can raise your own wheat, grind your own flour, make your own bread, construct your own furniture, form your own primitive tools, and live as a hermit. This is true if you do not value your own human energy too highly and are content with subsistence only.

But if you want the finer things of life and are anxious to have more than just enough to get by, you must undertake to provide something for others. It is on the surplus of your production that you will progress farthest. And this is true, whether your surplus consists of superior sermons respecting the hereafter, superior dancing ability, or a superior skill in displaying merchandise.

In American civilization, we have grown rich and prosperous both in material and spiritual things, by virtue of the fact that we have so largely employed the market relationship. And an understanding of this relationship is primary. • • •

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A skilled analyst of labor law and labor relations outlines his thinking on —

THE PROPER ROLE OF TRADE UNIONS IN SOCIETY

SYLVESTER PETRO

▶ Beyond fairly narrow limits it is arrogant and presumptuous for any person to define the role and conduct of any other person or group of persons.

▶ Assuming one has thought the matter through, one may go so far only as to set outside limits of conduct for others. But setting such limits will be a vain and merely personal indulgence – it will not be accepted as the basis of general social policy or action – unless it meets one extremely important requirement: the limits must be based upon widely understood and equally widely accepted principles and standards.

▶ One of the saddest features of our age lies precisely in the deep and widespread differences which exist concerning basic standards – and indeed concerning the kind of society in which we actually live, let alone the kind in which we wish to live.

▶ While recognizing the existence of the moral, intellectual, and social chaos of our times, I do nevertheless have a set of standards to which I adhere because they seem to me compelling, both historically and rationally; and those standards form the basis of my judgment concerning the "proper role" of trade unions in society. Everything I have to say here is rationally derived from the basic standards which I shall now elucidate.

▶ In the first place, I take personal freedom as the central and basic social institution, because I feel that the only kind of society worth living in is a free society; because I believe that, men being the kind of creatures they are, only

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a free society can endure; and because I believe that the ultimate goals of men, spiritual and material, stand their best, if not their only, hope of realization in a free society.

▶ A society cannot be free in any meaningful sense unless all men have the rights of private property and freedom of contract.

▶ The rights of private property and freedom of contract exist only if stealing, cheating, and physical force are prohibited.

▶ The right of freedom of contract means that every man has the right to join with other men in the pursuit of common objectives, so long as the group action does not interfere with the equal rights of other men equally to pursue their own interests as they wish.

▶ This means that every person has a right not only to join, but also to refuse to join, any group; it means, too, that every group has the right to grant or to deny admission to anyone seeking to enter the group.

▶ From these standards, at least two general inferences are immediately clear concerning the proper role of trade unions in a free society:

1. No form of physical compulsion is permissible, at either the organizing or the collective bargaining stage. If a man does not wish to join a union, he is entitled, under this theory, to expect his society to prevent a union from forcing him to join; he has an equal right to society's protection of his decision to apply for work, or if he already has a job, to continue working at it during a strike.

2. If unions have acquired the kind of power associated with monopoly in the true sense, the law of the free society should also prohibit them from exerting economic pressure upon employees to join. For in the hands of a true monopoly, economic coercion is the real and practical equivalent of physical coercion in respect of the rights of private property and freedom of contract – and this means that in the present condition of things, the Taft-Hartley Act is entirely sound in forbidding both physical and economic coercion by trade unions. The same analysis suggests that prohibition of all forms of compulsory unionism is sound – that, in other words, those states which have "right-to-work" laws are on the right track. This analysis suggests, again, that the majority-rule (or exclusive-representation) principle should be repealed.

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▶ Now, as to the objectives of union conduct. Assuming that the question of standards for the conduct itself has been settled, here is where a great deal of modesty is required. If a voluntary association does not engage in conduct depriving others of their basic rights, it seems to me that not too much can be said about the specific details of the association's objectives:

higher wages and better working conditions,

participation in *other* management decisions (for the first can be considered management decisions whatever they may be called),

pricing of product, choice of location, and other similiar matters.

All these may, under the theory of the free society be regarded as perfectly permissible objectives — if no rights are infringed in the seeking. One must be careful here, however. Libertarians will not put arbitrary limits upon a man's income; they will not give vent to churlish envy when their neighbors or acquaintances achieve material success. On the other hand, they will be quite careful in evaluating the methods utilized to gain material ends. So too in the case of trade unions. While refusing to set arbitrary limits upon the functions of trade unions, those interested in a free society will draw the line at the use of compulsion and coercion by trade unions in the pursuit of their objectives. They will contend that trade-union participation in management decisions must always come about as a result of peaceful, voluntary agreement — not as a result of coercion, force, and violence. Admittedly, this leaves the general matter of union objectives and functions in a somewhat vague posture.

▶ This much may be said, however: while a ditchdigger has every right to aspire to be a nuclear physicist, or a physician to be a dramatic actor, there is little reason to believe that either occupation, *as such*, contributes much to the achievement of the other.

So too it is not within anyone's competence to say that a union may not aspire to improving wages and working conditions or to any of the other objectives mentioned above.

One can say only that, from all indications, whether theoretical or historical, there is little reason to believe that a union *as such* can do very much about any of the listed objectives, except perhaps the single one of cooperating in the achievement of better day-to-day *working conditions*.

And even here there is some question. For the political character of

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unions tends to embarrass the grievance-prosecuting function, rather than to aid it.

▶ I am left, then, with the conclusion that while I must admit the right of unions to try to do whatever they wish to do, and while I must emphasize the right of workers to form and join unions if they wish – despite all that, I see no great hope of significant improvement from trade-union action.

▶ All the things which unions would like to do, business management is in a better position to do.

The worst feature of the confusion which exists today in the area under discussion is that it has tended to confuse people on that very point. Real improvements can come only from the same source which increases the wealth of nations generally – freedom for savers, investors, entrepreneurs, and business management.

▶ The answer to the fundamental and abiding problems of the employer-employee relationship is not trade unions but better employee relations departments. • • •

IDEAS ON LIBERTY

Employee Opportunities

THE FREE MARKET allows a person the opportunity to be both an employee and a stockholder under a single corporate management. The market offers the opportunity, though it does not guarantee any individual an unlimited supply of personal ability or capital with which to take advantage of all opportunities. The fact that an employee has the opportunity to invest capital in the corporation is a protection to him. If he feels that the stockholders are getting more than a fair share of the corporate product, he may protect his interests by purchasing some of the stock. Most of the industrial corporations pay out in wages and salaries each year more than enough money to buy a controlling interest in their voting stock — if the employees wanted to use their earnings for that purpose.

Aside from the possibility of dividends, there are at least two other reasons why employees might want to invest some or all of their savings in the common stock of the corporations which employ them: (1) This is a proper method of gaining control over management, and (2) Such investment may help to increase the supply of raw materials, tools, and plant facilities which are necessary if there are to be more and better job opportunities.

PAUL L. POIROT, *Bargaining*

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An Ancient Chinese Story

FREDERIC BASTIAT (1801-1850)

THERE WERE in ancient China two large cities, called Tchin and Tchan. They were connected by a magnificent canal that had been built to encourage more trade at less cost between the cities. But during a period of unemployment in that section of China, the Emperor decided to create jobs by ordering large blocks of stone thrown into the canal, thus making it useless.

The Emperor's Prime Mandarin, when ordered to carry out this plan, said to him: "Son of Heaven, this is a mistake!"

The Emperor replied: "Kouang, you talk nonsense." (I am here giving you only the substance of their conversation.) At any rate, the quarrying, transporting, and throwing of these blocks of stone into the canal provided jobs for many unemployed Chinese. But that isn't all.

At the end of three months the Emperor summoned his Prime Mandarin and said: "Kouang, look across the old canal."

Kouang looked and saw a multitude of men at work. On the other side of the old canal, these workers were excavating, filling, leveling, and paving. They were building a highway between the two cities to facilitate trade!

When another three months had elapsed, the Emperor again sent for his Prime Mandarin and said: "Kouang, look!"

And Kouang looked. He saw the road completed. Crowds of carts were carrying goods from one city to the other. And a multitude of Chinese porters were carrying on their tired backs enormous bur-

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dens from Tchin to Tchan and from Tchan to Tchin. He also noticed that builders were busy constructing inns for travelers along the new highway. Kouang was beginning to be convinced that his Emperor's scheme to make jobs by filling in the canal was a brilliant and practical idea. But there is still more.

Another three months passed, and the Emperor sent again for Kouang and said: "Look!"

Kouang looked. In addition to all the jobs he had seen before, there were now a great many more. The hostelries were now completed and full of travelers. And to supply their needs, there were butcher shops, bakers' stalls, shops for the sale of edible birds' nests, and so on. There were also tailors, shoemakers, sellers of parasols and fans, and many more. And as these service people also needed houses, there was a plentiful supply of masons, carpenters, and roofers. Then, of course there were policemen, judges, and other necessary government officials — as well as smugglers, thieves, robbers, and characters like that.

Finally Kouang was fully convinced that his Emperor was indeed the most brilliant genius who had ever lived. The Son of Heaven had proved conclusively that employment can be created by the process of destruction; that prosperity can be created by obstructing trade.

Kouang no longer argued that all this labor was merely being diverted from other employment; that these same people would also have been eating, trading, building, and so on even if the canal had been left open; that the people as a whole were now working harder and producing less. Like his Emperor, he was so intrigued with what he saw before his eyes that he completely ignored the other side of the picture.

Eventually the old Emperor died. His successor, Son of Heaven, gave serious consideration to that other side of the economic equation represented by this fable. After deep thought on the matter, he spoke as follows: "I have not come to this high office to create obstacles to trade and to divert and misapply labor. It is my duty as Emperor to facilitate the transit of goods and passengers between Tchin and Tchan; to encourage the most economical methods of transportation; to see to it that the prices of tea and clothing are as low as possible. For these reasons, I command that the canal be reopened to those who choose to use it." • • •

Translated and condensed by Dean Russell from *Selected Works of Frederic Bastiat*, Volume 1. Paris: Guillaumin, 1863. pp. 184–187.

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the "Plot" that never was...

BETTINA BIEN

"THEY" are opposed to free enterprise. "They" want more government controls. "They" seem to be "plotting" to place control of the government and of the country in their own hands. "They" appear to have been responsible for the ever-increasing trend toward socialism and communism over the last hundred years or more. But who are "they"? Is it possible for a few human beings, no matter how brilliant or clever they might have been, to have planned the whole thing?

Those who think that "they" were responsible for the New Deal, the Fair Deal, and other recent socialistic legislation imply that these are all results of conscious planning. In retrospect, it certainly looks as though a "plot" was conceived to destroy freedom and individual enterprise. Each day's events, necessarily built on the foundation of events which preceded, often appear to arise from situations consciously created with a definite purpose in mind. Yet could any individuals, or groups of individuals, fallible as all humans are, possibly conceive, let alone carry out successfully, such a complex scheme as would have been necessary to "plot" precisely in advance the path to present-day socialistic government?

A. Devaney, Inc., New York

Who are "they"?

From time to time throughout history, various persons have united to work for common goals, sometimes frankly and openly, other times forming conspiracies for certain definite purposes. There is no doubt that some people have sincerely believed that capitalism was "bad" and should be destroyed and, as a result of their belief, have worked to that end. No doubt

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many people have believed that the future peace and prosperity of the world depended on the coming of socialism and, in all sincerity, have taken steps they thought would lead in that direction. Undoubtedly an international conspiracy exists today.

Such man-conceived plots and plans, aimed at specifically stated goals, appear from time to time on the stage of history, only to vanish once more when their principals, both founders and followers, pass on.

It is not difficult, when studying the history of such conspiracies later, to understand the role each individual played in their development, accomplishments, and conclusions, whatever they might be. Such man-conceived plots and plans, however, are necessarily limited in scope.

What, then, is the explanation of the much broader movement, the world-wide ideological shift toward socialism?

Ideas Determine Action

People act on the basis of ideas they hold. It is the individual choices and actions of countless persons, considered together and interpreted, that make up the big movements, trends, and changes of history.

Every idea originates in the minds of individuals. Some ideas, once expressed, gain acceptance slowly. Some never attain wide popularity and gain only a narrow and limited circle of adherents. Others, however, may spread like wildfire and appeal to persons far and wide. One idea that has gained wide popularity is the belief that government force can be an agent for positive good.

Although largely credited to Marx, this idea preceded him by many years. The Mercantilists, for instance, favored using the power of government to control world trade. Before the Industrial Revolution, the British government supported the price of wheat and paid subsidies to encourage exports. Even Adam Smith, who deserves a great deal of credit for recognizing that free men, without direction, could plan their own affairs better than if they were dictated to by government, favored government control of interest rates.

As men gained more understanding of economic theory, however, they gradually began to see that government interference with private affairs was not only unnecessary but detrimental. Appreciation for the reasons why the principles of "laissez faire" should be applied consistently to all phases of the economy spread during the seventeenth and eighteenth centuries. As a result, the freedom

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philosophy, even though not always perfectly understood, became the idea that guided the majority in their actions during that period of history.

Marx Intervenes

All during this time, a number of persons clung to the socialistic philosophy that government, in order to do "good," should control and regulate individuals in their private affairs. Toward the end of the nineteenth century, this old idea gained more and more adherents. The writings of the French Positivists and of Karl Marx had appeared. These works contained just enough truth to make them believable among persons who lacked an understanding of economic theory. The ideas they expounded appealed to many persons who felt, for some reason or other, that their own special talents were not sufficiently recognized and who believed that government force could be used to remedy this situation as well as to perform other acts of positive good.

At one phase in his development, Marx asserted that government intervention should be used to destroy capitalism. Through the years, this idea has become so intertwined with the belief that government force can be used for positive good, that many of the measures which Marx specifically proposed as a means to destroy capitalism are now considered by many persons as a way to preserve it. In this respect, Marx was wiser than the majority of the people today. Nevertheless, belief in the false idea that government intervention can preserve capitalism has led countless persons to advocate policies which have been taking this country, and the world, down the road to socialism.

What the people who want to do positive good by passing added laws do not see is that government interferences with the free interplay of individual actions on the market worsens, rather than improves, the situation. With the best of intentions, in the sincere belief that legislation can remedy or improve a bad situation, one law is enacted. When it makes matters worse, men, who believe that government force can be used constructively because they do not understand free market checks and balances, advocate *another* law. This in turn creates a new predicament which it is again suggested to remedy by still a new law.

We See the Results

The present situation, the trend one sees over the years which has taken us into more and more socialism, therefore, is simply a consequence of the idea held by so many people that government in-

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terference can be used as an agent for "good." Faith that government interference can help matters dominates the thinking of most people today. It leads individuals to advocate more and more laws in the attempt to solve the problems which are constantly arising from past laws and changing conditions.

More and more predicaments result, for which solutions are again sought by making new laws. As government becomes bigger and bigger, and individuals are left with less and less freedom to plan their own affairs, chaos and confusion increase. In such a situation, power-hungry individuals *may* come to prominence. They recognize a situation of which they can take advantage. But to say that they or their forerunners had the foresight or the intelligence to plot the whole thing over centuries, or even decades, is to endow them with superhuman powers.

Adaptability to Change

It may sometimes appear that those who have been cleverer than others at taking advantage of conditions must have planned precisely in advance the conditions that made their success possible. But there are limits to human ability. Men must always plan their actions in the light of events over which they have no control. Their success consists of using to good advantage the situations in which they find themselves.

The steps individuals take at any instant depend on what they consider expedient at the time. They plan. Everyone must. But any individual, group, or organization with a definite goal in mind, must constantly make changes in various details, even if they continue to aim at the same goal, in order to adapt and adjust to unanticipated conditions appearing in the world as a result of the acts and deeds of other persons outside their control. Although a series of actions may seem in retrospect to have been planned perfectly in advance, it wasn't. As a matter of fact, it can appear so only if new decisions are constantly being made in the light of changed situations.

Only if a "plan" for human action is adaptable, in other words, if it is *not* plotted definitively in advance, will it appear to have been so planned when one looks back after the results at the pertinent events. Only with flexibility, can each step be built so logically on the ones preceding it that the whole sequence seems later to fit together smoothly to make one perfect whole.

Therefore, there need be no "plot" to explain our present situation. There need to be no "they." All one needs to know to under-

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stand why we have the "socialistic" government we do is that very few people have an appreciation of the function of the free market and open competition. Countless persons in this country today have strong convictions that the government can do "good" by interfering actively in voluntary interpersonal relations if the "right" laws for this purpose are enacted and forcibly administered. The dominant ideology of our times is undoubtedly faith in government interference and a belief that it can result in positive good. • • •

IDEAS ON LIBERTY

Freedom To Create

IT MAKES LITTLE DIFFERENCE, in fact, what field of human endeavor we consider, whether it be science, the arts, the spiritual disciplines, or the secular affairs of men, our progress will depend on the maintenance of an atmosphere which will foster individual effort at its maximum level. It seems to me that such an atmosphere has two essential components: first, a maximum of opportunity for individual self-expression and, second, a maximum of incentives for achievement.

It is extraordinary performance that makes for high accomplishment and for social and material progress. Average performance is simply not enough, and if we are to enjoy new horizons of the spirit, the mind, or of the body, we need to be sure there is a sufficient array of external incentives to make men willing to attempt the really difficult tasks even while recognizing the possibility that they may fail in that attempt.

There have been, at various times and in various countries, periods which saw a great outpouring of achievement with an extraordinary number of superior men to leave the stamp of genius upon the pages of history. In each of these Golden Ages, for a time, some phenomenal fertility was induced into the soil of accomplishment. And diverse as were the conditions, there is one common element: the intellectual freedom essential to the creative process.

CRAWFORD H. GREENEWALT, *Human Achievement and the Free Society*

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WHO WANTS TO PAY FOR A NEW AIRPORT?

asks EDITOR FRANK H. COOEY in
The Lima (Ohio) *News*,
June 8, 1958

A QUESTION that all Limaland is going to find itself facing in the near future is: "Who wants a new airport?"

To answer this question with the neat reply, "Everybody wants a new airport," then calls for a second question.

"Who wants a new airport badly enough to pay for it?"

In a limited sort of way we have been conducting a bit of a poll to see if we could find out who really wants an airport badly enough to pay for it. And we were not particularly surprised to discover that there are remarkably few people who want an airport badly enough to "put their money where their mouth is."

Sure it would be fine to have a huge, well-controlled, well-operated airport. It would be "an asset to the community." For those who have private planes it would be almost a must. For those who would utilize the airplanes for business or pleasure it would be most advantageous. Such an airport would certainly make it more likely for new businesses and industries to locate in the area. And we could give some other very good reasons why having an airport is highly desirable.

And we're in favor of a modern, up-to-date airport for Limaland regardless of the location of the airport site.

But when you seek an answer to the question, "Who wants an airport badly enough to pay for it?" there seems to be considerable difference in how much concern there is in the community. Ask a few people the next time you are just sitting around talking. Ask them if they would be willing to support a campaign for funds, like a United Fund campaign, to construct and maintain an airport. Don't ask a man whether he would be willing to vote the other fellow's money to buy a new airport. Just

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ask if he is willing to lay it on the line so that such an installation could be established.

If the people you talk to are anything like the ones we have heard, you are very apt to hear such replies as these:

"I haven't been up in an airplane for six years. What do I need with an airport?"

"Living on a pension, it doesn't help me much to have a new industry come into Lima or the vicinity."

"We almost never ship anything by air – let the air shippers who want it pay for it."

"A new airport means more planes and the ones we have now roaring overhead are pests."

"I'll chip in a little to help get the ball rolling – but that's all."

Etcetera, etcetera.

Now a newspaper has an obvious reason for wanting the finest sort of air installation possible. Such an installation would undoubtedly attract some new industry, and new industry will bring new people into the area which will provide the newspaper with a bigger market for the sale of the newspaper.

But a newspaper that wants to have the area population increase so that its market will be better at the expense of widows, pensioners, and the low income bracket people is not performing a public service. This is a venal approach to the question that in the long run can only hurt everyone, including the newspaper.

If "everybody" wants a new airport, then there shouldn't be any difficulty in gathering up subscriptions to buy, install, and operate such a venture. And if there is difficulty in getting the money for the project, it is pretty good evidence that "everybody" doesn't want to pay for a new airport and that the only way it can be done is to use the power of government to force the people into paying, whether they want to or not. • • •

IDEAS ON LIBERTY

Beware of Enslaving Others

WHAT YOU SHUN enduring yourself, attempt not to impose on others. You shun slavery — beware of enslaving others! If you can endure to do that, one would think you had been once upon a time a slave yourself. For vice has nothing in common with virtue, nor freedom with slavery.

EPICTETUS

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OUR TOWN

A selection of refreshing highlights from the report for the year ended April 30, 1958, of the City of Oglesby, Illinois, prepared by City Clerk, Edward Hand.

AT THIS TIME one year ago eight building permits had been issued for new single-family dwellings. This year six have been issued. When it is considered that constantly mounting prices with automatic built-in wage hikes cannot help being a deterrent to a prospective home owner, the total is amazingly good. The inflationary actions of the federal government – less apparent it is true in the administration than in the Congress – would be ludicrous as one ponders the daily grist from the Potomac as members vie with each other to slay the recession dragon, were they not so tragic in their impact on the suffering, silent, unorganized, fixed-income, pensioned minority. The members of both houses at Washington rush into print, grab a microphone, hog a TV camera to plead that their every heart-throb is attuned to the unemployed industrial worker living on unemployment compensation and rearing six or seven kids. It is not unkind to assert here and now that the unemployed American should have learned thrift and prudence in the fat days, and it is only just to inform the Congress that if they do not cease deficit spending and debasement of the dollar, the nation faces a future more hideous than the possibility of slavery forced on us by Russia. One never ceases to wonder how members of Congress presumably possessed of common sense in their years in their home communities as lawyers, teachers, merchants can go so completely off base when they get to Washington and begin to feel the power of the purse.

* * *

The city borrowed $140,000 at 4⅛ per cent interest just before money began to cheapen last fall in water-revenue-10-year bonds to drill, equip, and house deep water well number four and to install a municipal water softening plant. This type of borrowing is repugnant to those of us who operate the

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business of the city. It is the first issue of revenue bonds in our history. As heretofore reported, an emergency arose in the failure of well number two. Insufficient time and money made the undesirable debt unavoidable.

* * *

No recent report of this city would be current without paying our disrespects to the State of Illinois Sanitary Water Board for permitting three area cities to delay the construction of sewage treatment facilities long enough to participate in the federal sewage grant racket. We all started even in 1954 but only Oglesby and Streator were naive enough to believe that the state agency intended strict enforcement. We have built our own plants and now through a confiscatory federal tax collection we are paying for sewage plants in Ottawa, La Salle, and Spring Valley.

We have protested long and persistently to the Congress to cease making grants to local communities for the construction of sewage plants. No excuse exists for such handouts now nor has there ever been any justification for this federal racket except that it enables politicians of both major parties to act like gods dispensing favors. There is not in this area a city that cannot afford the cost of treating its own wastes. To say otherwise is to abandon the pride that all of us ought to have in the cities we call home. • • •

High school students were taken through the city's new architectural concrete water treatment plant and explanations made to them of the water supply and distribution system of the city-owned utility. This quotation would be appropriate perhaps at this point and is taken from *Time*, March 31, 1958: "But most of all, we need to do some thinking about the true ends of education. The worth-while innovations in method brought by Dewey's educationists should be kept. But their exclusive devotion to techniques and group adjustment should never again be allowed to hide the fact that American education exists first of all to educate the individual in a body of learning, with a tradition and purpose behind it."

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FRANK CHODOROV

Snoring AS A FINE ART

KUTUZOV was a general. By all odds, he was a successful general; for he did what no other general up to his time had been able to do, though the best in Europe had tried it; he beat Napoleon. How did he accomplish this extraordinary feat? By snoring. Yes, simply by snoring at the most appropriate times; namely, at staff meetings.

He called on this stratagem most effectively after Napoleon had reached the burned-out city of Moscow and was perturbed by the fact that Kutuzov's army was still intact. Kutuzov knew what was going on in the Frenchman's mind – that he was intent on engaging the Russian forces in a showdown battle in order to destroy them. But, the wily old snorer had a strange notion that it was poor business to exchange one Russian life for even two French lives. He also knew how this compulsion would ultimately destroy Napoleon if it went unrequited. He was for letting Napoleon destroy himself.

His staff officers, however, were of a different mind. They were full of strategy, tactics, logistics, and all the other things one learns at a war college, and had evolved elaborate plans for engaging Napoleon and beating him at his own game. Of course, different generals had different plans, each guaranteed to bring results, and each different from what the others put forth. They wrangled no end at staff meetings, as planners are wont to do, and when the arguments got real hot, Kutuzov would close his eyes and start snoring. In due time he would wake up and say something like this: "Very well, gentlemen, we will retreat."

Meanwhile, Napoleon, ensconced in a ghost town, with dwindling supplies, stewed in his own juice. The Russians did not attack, as he expected them to do, and nothing he did enticed Kutuzov to come into the ring. Soon the heavy snows

Mr. Chodorov is the well-known author, editor, journalist, and individualist.

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descended and the great strategist was compelled to make his disastrous retreat, just as Kutuzov knew he would.

We Might Try Snoring

That is how snoring won a war. As you read this brilliantly written essay – the title essay of the baker's dozen by Albert Jay Nock, heretofore uncollected*—you begin to wonder whether a bit of appropriate snoring would not help in our current "cold" war. Maybe all this fuss and fury over psychological warfare, all the plans for meeting the Kremlin in economic battle, all the marching and countermarching of our "best brains" in Washington, only fit in with the pattern the communists have designed for us. Maybe if we stopped planning so much – and did a little snoring – the enemy would destroy himself. Maybe nature will accomplish what our strategists seem unable to. There are economic laws working for us; why not let them work? Human nature, too, tells us that the Russians, patriotic though they undoubtedly are, do not like the slavery they must endure and will, when the time is ripe, throw their rascals out; why not wait for the right time?

The essay was written long before the conflict with the Kremlin was thought of, somewhat before our passion for planning had reached the point of insanity, but its message is quite up-to-date. Snoring, as a fine art, needs to be restored, since planning has proven inadequate, to say the least. The pertinence of this lead essay is characteristic of the other twelve, even though all of them were written a score of years ago, and, unless the nature of things is miraculously transmogrified, each essay contains a lesson which our children's children could profit by. They have the quality of relevance that never grows old; they are not "dated."

Nock, a Master of Style

There is an additional big profit to be had from the reading of this collection, a dividend which should be expected from one's investment of reading time, but which is rarely received. It is the enjoyment of good writing. Anyone who has any familiarity with Nock's style – or with that of any master, for that matter – knows how futile it is to try to describe it. It has to be tasted to be appreciated. But, Nock's reply to an idle question put to him by this reviewer gives an inkling to the reason for its charm. The idle question, more rhetorical than inquisitive, was:

Snoring as a Fine Art and Twelve Other Essays by Albert Jay Nock, Introduction by Suzanne LaFollette. Rindge, N. H.: Richard R. Smith Publisher, Inc., 1958. 196 pp. $3.00

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"How did you train yourself to write this way?" His reply: "All I know about writing I got from the King James Bible and the Book of Common Prayer." This is an oversimplification; but it does explain in part the lucidity, the abundance of Anglo-Saxon words, the easy flow and graphic expressions that characterize his style. It is completely devoid of the ponderosity pouring out of our presses these days; but one suspects that this was due to his complete mastery of the subject he was dealing with, that he did not have to resort to ambiguity to hide any uncertainty or intellectual deficiency.

The best one can say about this book of essays is: read it and have fun. If you do, you'll read it a second time. • • •

IDEAS ON LIBERTY

Reciprocity

TSEKUNG asked, "Is there one single word that can serve as a principle of conduct for life?" Confucius replied, "Perhaps the word 'reciprocity' will do. Do not do unto others what you do not want others to do unto you."

LIN YUTANG, *The Wisdom of Confucius*

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OF DOLLARS AND SCHOLARS

SAYS the *Ladies' Home Journal* for July 1958: "A history-making document that will shape educational philosophies and practices for years to come, the Rockefeller Report, is released today." The *Ladies' Home Journal* is an estimable publication, and its editors are not easily gulled. In the past these editors have published such notable articles as Dorothy Thompson's "Must Schools Be Palaces?" And, truth to tell, the Rockefeller Report, issued as *The Pursuit of Excellence: Education and the Future of America* (Doubleday, 49 pp. 75¢.) has its good points. Daringly, it urges our democratic society to forget its leveling preoccupation for the moment and concentrate on providing excellence. But beyond its insistence on the qualitative aspects of education, the Rockefeller Report swallows the big cliché: there is nothing wrong with our educational system that money – and lots of it – won't cure.

"Our schools," it says, "are overcrowded, understaffed and ill-equipped. . . . (in 1957) the shortage of public school classrooms stood at 142,000. There were 1,943,000 pupils in excess of 'normal' classroom capacity. Some elementary and high schools and colleges had found it impossible to hire well-qualified teachers in such basic subjects as English, languages, and social sciences; some have even had to drop chemistry, physics, and mathematics from their curriculum since there were no teachers to teach them."

Quantitative Measurements

There it is, the standard complaint which reduces all our big problems in education to quantitative measurements, whether expressed in terms of the dollar, the square foot, or the student-teacher ratio. The whole rigmarole has been dinned into us so often, especially by the proponents of increased federal aid to education, that it passes for a true bill practically everywhere. The land is full of zealous souls who can cite the statistics offered by the National

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Education Association or the U. S. Office of Education – and if one raises a feeble voice to object that the tax bill for public education is already inordinately high, one is immediately branded as an "enemy of the schools."

But what about the alleged "true bill"? The common sense of John or Jane Smith must tell him or her that since World War II the local communities have been building schoolhouses like crazy. My own community of Cheshire, Connecticut, had only one grammar school in 1946 and no high school; now it has three grammar schools (which have been periodically enlarged) and a big high school complete with an auditorium that does duty for election day balloting and for town meeting. And Cheshire is certainly not unique; its program could be matched in thousands of communities from Maine to Oregon.

Fortunately for those who have doubted the claims of the so-called "educationists" that the U. S. has shamefully neglected the money aspects of its school system, a book has just been issued embodying the findings of the Institute for Social Science Research. Called *School Needs in the Decade Ahead:* Volume I (Institute for Social Science Research, 917 15th Street, N.W., Washington 5, D. C., 301 pp. $5.00), and put forth under the authorship of Roger Freeman, this book riddles every single quantitative *cliché* of the Rockefeller Report.

Classroom Requirements

Are our schools overcrowded? Mr. Freeman, with an almost bewildering display of charts, graphs, and statistical tables, approaches the question from many angles. Since virtually all of our schools stand vacant and idle for four months out of twelve, the question may seem to be a loaded one in the first place. If there really were a school housing crisis, we could have a combination of double-shifting, a shortened school day, and a longer school year. But there is no such crisis. Back in 1954 the U. S. Office of Education predicted that by 1959 there would be a shortage of 470,000 classrooms. In 1958, however, the Office of Education's own construction statistics had reduced the prophecy of a 1959 shortage to 79,100 classrooms. Even this figure is suspect, for "needs" are judged on a basis of asking local school superintendents how much money they would require "to bring their school plant to a level they deem satisfactory." The judgment of the superintendents is so diverse that it virtually eludes statistical computation.

When all is said, the U. S. can

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take satisfaction from one irrefutable statistic: virtually half of our school-age children now attend schools that were constructed after World War II. In Europe, on the other hand, the children still sit at cramped desks in buildings that are over-age and dilapidated. As for Russia, it doesn't consider that the school plant is important at all; the communists are not interested in where a student sits, but in what goes into his head.

Cutting into the subject of "overcrowding" from another angle, Mr. Freeman notes that "building space allowances per pupil have gone up between 50 and 100 per cent over the past twenty to thirty years." The reason: it requires more room to teach in a "child-centered" school than it did in the "subject-centered" schools of our fathers. When a curriculum includes such things as courses in marriage and family relationships, grooming, beauty care, date behavior, consumer buying, square dancing, junior homemaking for boys, and fly casting, one has to have a lot of physical space in which to turn around.

Availability of Teachers

Are our schools understaffed? Is teacher recruitment lagging? Are teachers underpaid? Obviously, one can prove almost anything here simply by manipulating such things as the base year from which comparative changes are measured. If one takes 1935 as a base, it can be proved that physicians and dentists have fared much better than teachers. But if 1929 is selected as the base year, the teacher's lot seems comparatively much happier. The reason: people didn't pay their doctors and dentists in the depression, which makes their increase in emolument since 1935 look terrific.

Looking back over the long span, Mr. Freeman is able to show that the pupil-teacher ratio has been steadily declining since 1900. At the beginning of the century the average ratio was one teacher to 35.6 pupils. In 1956 the ratio was one to 25.6. Does this look like "understaffing"? Mr. Freeman has the temerity to think that the figures prove that teachers have too few students per class, not too many. He quotes Ralph Cordiner, president of General Electric, as saying: "There are some educators who are actually proud of the declining ratio of students to faculty. . . . To my knowledge, there is no other field of human endeavor which actually prides itself on declining productivity." Certainly there has been little effort to spread the usefulness of unusual teaching ability by making TV recordings of lecture material. Indeed, the teachers have reacted to

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the use of TV as trade unionists, not as educators. If a good lecture can be used twice or three times, says the fearful teacher, it might displace inferior lecturers. True enough, but the fear hardly accords with the contention that there is a teacher shortage.

The Curriculum Makers

As for teacher recruitment, Mr. Freeman finds that teaching is becoming more popular, not less. The field is actually overcrowded when it comes to such things as social studies, speech, music, art, home economics, and men's physical education. If there is a current shortage of physics and trigonometry teachers, the blame should be placed on the curriculum makers who have been dropping science courses. Naturally there will be fewer algebra teachers around if the course ceases to be compulsory. In complaining that the high schools can't offer chemistry courses because of a paucity of chemistry teachers, the Rockefeller committee has put the cart before the horse. There will be plenty of chemistry teachers – or even teachers of calculus – once school requirements are changed to insist on more science.

One could go on for hours throwing Mr. Freeman's statistics at the compilers of the Rockefeller Report. But the game becomes wearisome. The truth is that the failure of U. S. education is not quantitative at all. It can even be argued that we would have better schools if less money were spent on them. We need less emphasis on plant, on physical space, on gadgetry. The Europeans, with far less opulent plant, turn out students who are two years ahead of their American counterparts after twelve years of schooling. Doesn't this indicate that it is the curriculum that needs overhauling, not the plant?

For an answer to this question, the reader is advised to turn to John Keat's *Schools Without Scholars* (Houghton Mifflin, 202 pp. $3.00). Using a shrewd, knockabout irony, Mr. Keats takes the ideas of our modern "educationists" apart. But that is a story that can hardly be jammed into a review of the quantitative troubles, real or fancied, of the American schools. It must wait for a separate commentary on its own. • • •

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Nationalizations — Ten Years Later.

By Dr. Melchior Palyi. Chicago: The Heritage Foundation, Inc., 1958. 36 pp. 50¢.

THE STATE-OPERATION of part or all of the economic activity of European countries is not of recent origin. But the tempo of this movement was considerably accelerated following World War II. Britain and France found the promises of nationalization especially attractive.

How well has nationalization fulfilled its promises to cure unemployment, to guarantee fair wages, low prices to consumers, and good returns to the government?

A little booklet (36 pages and an index) by Dr. Melchior Palyi makes some pointed observations on this question. It is a collection of articles which appeared in the *Chicago Tribune* in early 1958. Dr. Palyi called the series, "Nationalizations—Ten Years Later."*

Dr. Palyi is an American citizen of Hungarian descent. Before coming to America he taught at the Universities of Keil, Goettingen, and Berlin. He was Chief Economist to the Deutsche Bank in Berlin, and later, Scientific Advisor to the Reichsbank. In this country he has taught at the Universities of Chicago, Wisconsin, and Northwestern.

Among Dr. Palyi's recent books are *The Dollar Dilemma* and *Compulsory Medical Care and the Welfare State.* He is a well-known popular writer and public lecturer as well as a consulting economist.

Each of the nine chapters tells its story in a simple, direct, but devastating way. The chapter headings will whet the appetite of anyone concerned with the problems of socialism: "Labor Relations under Nationalization," "Profitless Monopolies," "Wasting Resources," "Deficits and Inflationary Consequences," "Socialized Medicine," and "The Nationalization of Savings."

Here are a few samples of what to expect:

"The history of a socialized coal industry in the United Kingdom is an almost uninterrupted record of labor strife."

"France has carried nationalization further than any other 'free' country, and she happens to be further than any other, except Finland and Turkey, on the road to national bankruptcy."

"The 'freedom' from profit and loss considerations, is a clear invitation to waste. Waste of resources is the outstanding feature of nationalized managements."

W. M. CURTISS

*Also available from the Foundation for Economic Education, Irvington-on-Hudson, N. Y. 50¢. The price is less on larger quantities.

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HOW HIGH IS YOUR STANDARD OF LIVING?

Can you guess how many ways you put electricity to work?

One good measure of your standard of living is the number of ways electricity works for you. The more ways, the more likely you are to live well and comfortably.

Strange as it seems, most people *can't remember* all the jobs electricity does for them. Can you guess how many it does for you?

Just for fun, try making a list of all the ways *you* use electricity. Here are some tips to help you:

Start with the kitchen. Refrigerator, of course. Coffee-maker, toaster? And remember things like the exhaust fan, the knife sharpener.

There's entertainment — TV, radios, record player. And don't forget things like lamps, heating pad, hair dryer, electric clocks.

How many for comfort? Air conditioner? Fans, space heaters? Then there are the "service" jobs, like washer, iron, power tools. And how many more? Remember the oil burner — the furnace blower.

If your list adds up to *30 or more,* you're living very well. If it's *more than 45,* your standard of living is excellent! Are you surprised at the total for your home? It gives you an idea of the real value of your electric service, doesn't it?

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